ISLAMIC ECONOMICS AND FINANCE

لا اله الا الله محمد رسول الله

The face of Riba today

The advantages and convenience of Islamic finance

By Sheikh Mohammed Ngubong

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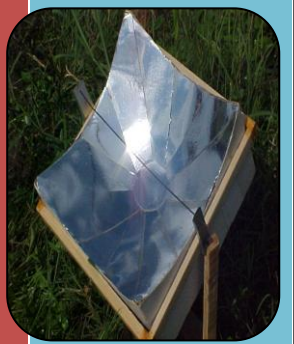

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بسم الله الرحمن الرحيم. الحمد لله رب العالمين. والصلاة والسلام علي رسول الله وعلي اله وأصحابه أجمعين. السلام عليكم ورحمة الله وبركاته.

اللهم طهر قلبي من النفاق و عملي من الرياء ولساني من الكذب و عيني من الخيانة فانك تعلم خائنة الاعين وما تخفي الصدور.

OH Allah! Purify my heart from hypocrisy and my actions from dissimulation and my tongue from lies and my eyes from stealthy looks of eyes for Thou knowest the stealthy looks of the eyes and that which the breasts conceal.

(QS9. At Taubah ayat 34)

۞ يَـٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ إِنَّ كَثِيرًا مِّنَ ٱلْأَحْبَارِ وَٱلرُّهْبَانِ لَيَأْكُلُونَ أَمْوَٰلَ ٱلنَّاسِ بِٱلْبَٰطِلِ وَيَصُدُّونَ عَن سَبِيلِ ٱللَّهِ ۗ وَٱلَّذِينَ يَكْنِزُونَ ٱلذَّهَبَ وَٱلْفِضَّةَ وَلَا يُنفِقُونَهَا فِى سَبِيلِ ٱللَّهِ فَبَشِّرْهُم بِعَذَابٍ أَلِيمٍ ﴿٣٤﴾

34. O you who believe! Verily, there are many of the (Jewish) rabbis and the (Christian) monks who devour the wealth of mankind In falsehood, and hinder (them) from the Way of Allâh (i.e. Allah's Religion of Islamic Monotheism). and those who hoard up gold and silver [Al-Kanz: the money, the Zakât of which has not been paid], and spend it not In the Way of Allâh, -announce unto them a painful torment.

To the right is a gold coin which weighs 4.25 grams. You can see that anywhere in the world weather it is legal tender there or not it represents wealth. Just go to the local jewelers or gold merchant. This is the advantage of Islamic money. You can't say the same for FIAT [1]money.

What has been said of the gold coin above is also true of the silver coin of 3 grams to the right. If someone found a piece of any of the two coins lost during the time of the prophet (saw), buried underground, It will still have its value today. What a great economic system the world would have with these qualities.

[1] **FIAT is a Latin word which stands for "it shall be", or "let it be done". When this term is used to describe money, it means the money has no intrinsic value, and it is not redeemable. That means it is not backed up by any tangible commodity such as gold, silver, platinum etc which guarantees its value. It is just a piece of paper, plastic or metal to which a value has been artificially assigned. It is less valuable then toiled paper.**

The advantages and conveniences of Islamic finance.

By

Sheikh Mohammed Ngubong

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"We **only live once, and every hour which passes never returns. We must therefore insure that we have the knowledge to optimise the impact of our actions during this short life." Allah (swt) didn't swear by al- Asr (the time) for nothing.**

Book written Muharam 1435 or November 2013

Gold coins

One Islamic Dinar has its value right on it. It contains 4.25 grams of gold of 22 karat. It is backed by more than five thousand years of human experience. No government can devalue it. Let us return to it and protect ourselves from the theft introduced by fiat paper currency.

Silver coins

Hovever there is not much reference to silver today bacause many other metals and alloys have been developed which have some of it's characteristics and appearance. For example stainless steel, alluminium. Zinc, Tin etc. Nevertheless it still has it's uses. If we have to use both of them, we must not fix a conversion rate. Let the market forces do that. One Islamic Dirham is made of 2.975 (about 3 grs) of silver

See how I was in 1422. I thought my beard would remain black. Now look at me in 1436, Do not be deceived by the henna die. The beard has gone a long way down the grey root. The same is happening to you.

See how I was in 1422. **Look at me now in (1436).**

What a difference. I thought my beard would remain black forever. Just like it did with me, life is likely to pass on very fast with you too dear reader. So make sure you optimize the impact of your actions here on earth. Avoid things which can lead you away from the mercy and guidance of Allah (swt), and adopt things which will.

The prophet Mohammed (saw) said Riba could be sub divided onto 70 categories, and the least of these is more serious than committing adultery with your mother. It is not a light matter believe me. Furthermore Allah (swt) says:

(QS5. Al Maa-idah ayat 100)

قُل لَّا يَسۡتَوِي ٱلۡخَبِيثُ وَٱلطَّيِّبُ وَلَوۡ أَعۡجَبَكَ كَثۡرَةُ ٱلۡخَبِيثِۚ فَٱتَّقُواْ ٱللَّهَ يَٰٓأُوْلِي ٱلۡأَلۡبَٰبِ لَعَلَّكُمۡ تُفۡلِحُونَ ١٠٠

100. say: "Not equal are things that are bad and things that are good, Even though the abundance of the bad may dazzle thee; so fear Allah, O ye that understand; that (so) ye may prosper."

No matter the abundance which seems to come from riba based transactions, projects and initiatives, it is bad for us in fact. We should never forget that out success in live (present and future) can only come about if we take steps to fit into the harmonious whole of the universe created by Allah (swt). Any attempt to

deviate from his universal guidance can only lead to us being crushed by His enormous energy. Let us not forget that the whole of creation except Mankind and Jinn kind are Muslim. The latter are Muslim in some issues like birth, hardship in life old age and death. They only have a limited free wheel on some few actions in the respective lives.

لا اله الا الله محمد رسول الله

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Preface:

This book was written to sensitize the Muslims about the gravity of indulging into riba, as well as the consequences of riba in society and the world at large, not forgetting the consequences in the hereafter. These consequences they see every day in their daily lives. They may not have all realized that those sufferings, problems and difficulties are being caused by the practice of riba amongst them and outside their immediate surroundings.

The idea of the book came about when I preached in a mosque once on riba and some of the ways it is being practiced, sometimes unknowingly in our society. Many people came asking for the right way those commercial transactions ought to have been done. I set out initially to clarify that to them. Only then did I realize that they might not easily understand. I saw this when I tried to explain matters to the group of Muslims who visit the sick every Friday at the local hospitals. I understood that beyond simple clarification, they also required some lessons on the fundamentals of the world economic order and a manual which they could use to negotiate their investment transactions.

This book contains a brief description of the consequences of riba in the world and the consequences for those who are involved in it in the hereafter. Some of the tricks used by bankers to disguise riba in their investments are highlighted. And some solutions are proposed to avoid riba through different types of models of Islamic finance. One such model namely diminishing Musharakah is explained and applied to three examples typically

found in the Cameroonian society, where it is addressed with riba based solutions. A model without riba is proposed.

This book will thus be used insha Allah for education (Muslims and non Muslims could see that banking, finance and investment is possible without riba), information, sensitization, and as a manual for those negotiating investment projects.

A brief comment is also included about Islamic insurance in order to encourage Muslims to indulge into it.

I thank Allah (swt) for using me in this initiative and I hope He accepts it. I thank my wife **Hureira** for her encouragement as well as her cups of coffee. I thank **sheikh Suleiman Mbuombuo** and the Muazin of the mosque of Bonaloka (**Brother Ismail Danladi**) for trying to spur me on. Last but not least I thank brother **Yawba Musa** for sharing his experience of many years working with lorries conveying goods from Douala to the northern regions and even to Chad.

Abbreviations	Meanings in the book
XAF	Code for the franc CFA for Central Africa
XOF	Code for the franc CFA for West Africa
SWT	**S**ubhanahu **w**a **t**'ala. Glory be to Him in the highest
SAW	**S**allalahu **a**layhi **w**a sallam. The peace and blessings of Allah be upon him.

Introduction:

This little booklet was written in order to familiarise Muslims in particular and the general public with the advantages of Islamic finance and business dealings compatible with Islam. May it please Allah (swt) to accept this endeavour. Many Muslims are resigned to the notion that the strong hold of the riba system is too firm for them to be able to do anything. This is the wrong attitude in this matter. The Islamic economic and financial system is the best there is on this earth. They should start by believing that Islam is not only about the five daily prayers. How much time do we spend in the mosque every day? We spend just a few minutes in the mosque. So we see that the majority of sins or good deeds we shall have on our record, shall have been obtained outside the mosque. I sometimes express it in the form of mathematical equation. (i) and (ii) which we shall see later at the end **of chapter two insha Allah**. The good deeds $\mathbf{F_2(t)}$ can be rewarded with anything up to 700 times its initial value, while the sins $\mathbf{F_3(t)}$ are only punished according to their value without adding anything. Praise be to Allah (swt) who is looking for the slightest excuse to put us away from the fire. The summation effect of the integral model means that the long term sustained deeds shall count more than short punctual ones (other factors remaining the same) .The reward or punishment for each deed will depend on the value system Allah (swt) has put on that kind of deed, the strength of our intention (seen from the determination, sacrifices made, costs incurred, time spent etc to accomplish the deed.) We will do well to find out what kinds of deeds are highly valued from the Quran and the traditions of our prophet Mohammed (saw) and by extension all the other prophets, pious people and sages.

There is also the need not only to protect the Muslims, the believers and the population at large from the negative consequences of riba (usury) on themselves and others, but also to encourage investment. The objectives or goals of business initiatives must be broadened. Thus people may invest to increase their wealth, offer employment to others, supply some of the needs of a particular population or even to domesticate, incubate and promote local initiatives and local and foreign technology. And best of all, they should invest in order to promote, consolidate, render credible and clean up the image of Islam. The profits should not only be estimated in dollars and Dinars but also and especially in Darajats[2].

Riba and one of its consequences (inflation) have taken away the concept of solidarity, synergy and cooperation with one another. Allah (swt) says in the Qur'an surat 2 verses 275 to 276:

(QS2. Al Baqarah ayat 275-276)

ٱلَّذِينَ يَأۡكُلُونَ ٱلرِّبَوٰاْ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ ٱلَّذِي يَتَخَبَّطُهُ ٱلشَّيۡطَٰنُ مِنَ ٱلۡمَسِّۚ ذَٰلِكَ بِأَنَّهُمۡ قَالُوٓاْ إِنَّمَا ٱلۡبَيۡعُ مِثۡلُ ٱلرِّبَوٰاْۗ وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْۚ

[2] **The darajat is a unit of recompense in the hereafter for good deeds done on earth, It is like a currency in the sense that it can be counted. One letter of the Qur'an read leads to a reward of ten darajats says the prophet (saw)**

فَمَن جَآءَهُۥ مَوۡعِظَةٞ مِّن رَّبِّهِۦ فَٱنتَهَىٰ فَلَهُۥ مَا سَلَفَ وَأَمۡرُهُۥٓ إِلَى ٱللَّهِۖ وَمَنۡ عَادَ فَأُوْلَٰٓئِكَ أَصۡحَٰبُ ٱلنَّارِۖ هُمۡ فِيهَا خَٰلِدُونَ ٢٧٥

يَمۡحَقُ ٱللَّهُ ٱلرِّبَوٰاْ وَيُرۡبِي ٱلصَّدَقَٰتِۗ وَٱللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ ٢٧٦

275. those who eat Ribâ (usury) will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shaitân (Satan) leading Him to insanity. That is because they say: "Trading is Only like Ribâ (usury)," whereas Allâh has permitted trading and forbidden Ribâ (usury). so Whosoever receives an admonition from his Lord and stops eating Ribâ (usury) shall not be punished for the past; his case is for Allâh (to judge); but whoever returns [to Ribâ (usury)], such are the dwellers of the Fire - they will abide therein.

276. Allâh will destroy Ribâ (usury) and will give increase for Sadaqât (deeds of charity, alms, etc.) and Allâh likes not the disbelievers, sinners.

Allah (swt) illustrates how on the day of judgement the true nature of those who dabble in riba will be exposed. That is they will be seen as the mad men and women they now are. What they are now saying by their attitude is that my sole purpose in life is to gather as much wealth as possible because the value and dignity of my person, the respect I shall get from others all depend on how much wealth I have gathered and how much I

spend (usually wastefully in boast). So I can only give some of it to you as a loan if you promise to return to me even more wealth (meaning interest added to borrowed wealth). In that sense they are as mad as a mad man counting his wealth in the form of waste paper and things in a refuse dump.

Allah (swt) also warns them against trying to blur the barrier between trade and riba in order to pass off some of their riba deal as ordinary trade. He then calls upon them to refrain from riba in order to be forgiven for their past bad deeds, warning that those who don't refrain are seeking for the fire of hell thereby. In the next verse He clearly says what He will do to riba and by implication to riba based economies compared to a charity based economy. He clearly says He will destroy them. History has confirmed this divine truth. Look at all the destroyed civilisations who thought they were indestructible. Those who lived in present day Tanzania, and who manufactured and used steel three thousand years ago, those who lived in various parts of south America, who seem to have been able to be air born. Those who lived in Egypt. Those who lived in Babylon (Iraq). Etc etc.

I think it is important that we take a step aside from our main subject to offer a short explanation on what riba really is. Insha Allah, this shall make it easier for us to understand the principles of Islamic finance.

Given that Islam is the religion of all the creatures in the universe since they were created, and that mankind and Jinn only have a free will on some aspects of their lives, all the prophets from Adam (AS) to Mohammed (SAW), have preached Islam. So even the earlier books of revelation like the **Torah** of **Musa (AS)** and the **Zabu**r of **David (AS)** also prohibit riba. Even the Hindu

scriptures prohibit riba despite being nearly five thousand years old. We mention a few references below.

25 " If you lend money to any of My people who are poor among you, you shall not be like a moneylender to him; you shall not charge him interest.
26 "If you ever take your neighbor's garment as a pledge, you shall return it to him before the sun goes down.

27 "For that is his only covering, it is his garment for his skin. What will he sleep in? And it will be that when he cries to Me, I will hear, for I am gracious. (Exodus 22:25-27)

5 He who does not put out his money at usury, Nor does he take a bribe against the innocent. He who does these things shall never be moved. (Psalm 15:5)

Some of the earliest known condemnations of usury come from the Vedic texts of India.[6] Similar condemnations are found in religious texts from Buddhism, Judaism, Christianity, and Islam (the term is *riba* in Arabic and *ribbit* in Hebrew).[7] At times, many nations from ancient China to ancient Greece to ancient Rome have outlawed loans with any interest. Though the Roman Empire eventually allowed loans with carefully restricted interest rates, the Christian church in medieval Europe banned the charging of interest at any rate (as well as charging a fee for the use of money, such as at a bureau de change). [**Source Wikipedia**] See Appendix for a longer list of biblical verses.

Chapter one (Riba)

Chapter one highlights:

After reading this chapter, you should be able to do the following:

a) Define riba and explain in what ways riba is broader than usury.
b) Know about some of the methods used to hide riba in transactions and why it is done.
c) Understand the two categories of riba, namely riba al-nasiah and riba al-fadl.
d) Understand some of the consequences of riba to the individual here on earth, to the individual in the hereafter and to society here on earth.
e) Know about some of the prophet Mohammed's (saw) statements on riba.

A brief summary of Riba:

The term riba does not only mean usury. It can be put into two categories.

a) **Riba An-Nasi-a (interest on lent wealth or money):** This is one of the categories which can take place in a variety of ways. These ways generally involves paying or giving something extra because of a delay in payment, or a postponement in payment. More often than not people try to conceal it behind some business deal or some asset.

b) **Riba Al-Fadl**. This involves exchanges of things of the same kind or nature in unequal quantities. This could be because one particular kind is in fashion and the other is not. Or one is from a more prestigious area than the other. Under this category are also included all manner of unethical business practices, like insider dealing, price manipulation, deceit of some partners etc. Please take a look at the following Qur'anic quotations for more inside. **Q2:278 to 280, Q3:130-132**, **Surat Ar-Rum verse 39, Q4:161**.

The prophet Mohammed (saw) was also very vocal in his condemnation of all aspects of riba. Basically in a riba governed system, selfishness is encouraged because the main purpose of life is to accumulate capital. People are only willing to give some to another if they promise to pay back even more capital in the future. President Obasanjo of Nigeria described in a G20 meeting how the greatest evil now facing humanity is riba, although he used the term compound interest. Nigeria burrowed $5 billion in the year 1985 or 1986 and had to pay back a total of $44 billion by the year 2000, and the world bank still wanted more. These were his exact words

"All that we had borrowed up to 1985 or 1986 was around $5 billion and we have paid about $16 billion yet we are still being told that we owe about $28 billion. That $28 billion came about because of the injustice in the foreign creditors' interest rates. If you ask me what is the worst thing in the world, I will say it is compound interest." What he called compound interest is Riba"

President Obasanjo of Nigeria, G8 summit, Okinawa, 2000.

Inflation, which is one of the consequences of riba, further discourages people because it erodes the value of money over time. So a qard Hassan loan (loan in which one return exactly the

amount burrowed), does lead to the lender losing money unless the borrowing and return takes in zero time, or Islamic money is used. In an inflationary situation, time eats up the purchasing power of paper money.

The need to earn profit from one's investment and the fear of the eroding properties of inflation are usually among the arguments brought forward by the defenders of riba .They also claim that riba makes savings to be mobilized thus stimulating the economy and bringing about growth. But we can show that Islamic financial instruments, Islamic money and Islamic business ethics can stimulate growth even more, provide profit to investors, and be inflation free.

They claim that if one can buy an asset and rent out the usufruct, why can one not rent money? The interest paid is to purchase the profits one makes from the money. But the profits are unknown until time elapses meanwhile the interest are fixed. You cannot buy for a known amount something unknown. That's contrary to Islamic business ethics. Even they can see that putting interest on a loan taken for consumption (like someone taking his child to hospital, is immoral). It amounts to taking advantage of someone's misfortune. That's why they try to justify it using loans taken to invest in an income generation venture.

In order to show how stable Islamic money is, and thus an Islamic economic system will be, let us suppose that three people in the year 2000, each had a sum of CFA 10 million, equivalent to about $20,000. They are:

Mr. John, Mr. Joseph and Alhadji Ibrahim. Given that because of the inherent instability in the riba financial system more than ten

banks have collapsed within the past decade here in Cameroon, leading to loss of savings, Mr. John decides to keep his money in the form of paper money. Something which represents a considerable risk in Africa, not only because inflation is particularly high but because the currency may not even be legal tender anymore if you keep it for too long. If Mr. John is lucky and the money is recognized in 2012, what purchasing power will it give him? (Mr. John). For example in 2000 when I bought a ram for the festival of sacrifice, it cost me CFA 18,000. In 2012 you would require CFA 70,000 for a ram of the same size. Although the rate of inflation is usually product dependent, the average rate is always positive in a riba based economy. Some pro-riba economists claim that a non inflationary economy is bad because it discourages spending, while an inflationary one encourages spending. If goods a getting progressively cheaper, people will tend to wait rather than buy in order to buy at a cheaper rate tomorrow. But an Islamic economy is neither inflationary nor deflationary. Besides necessary spending will always be done whatever the price trend.

Mr. Joseph on the other hand decides to put his money into the deposit account of a bank at 5% interest (the current rate when this work was being produced in 2013. For those of you who are not familiar with interest and how to carryout related calculations, or you left school a long time ago, here is a reminder. An amount A_0 lent at an interest rate of r% will generate after 1 year an amount $A_1 = A_0 + r/100*A_0$. So after n years the amount $A_n = A_0(1 + r/100)^n$. In our case then Mr. Joseph after 12 years will find at the bank in millions of CFA

$$\boldsymbol{A_{12} = A_0\left[1 + \frac{5}{100}\right]^{12} = 1.79585632601(A_0)\ or}$$

$$A_{12} = 17.995856\ million \ldots . (i)$$

This does not have the same purchasing power in 2012 as 10 million in the year 2000. This we shall illustrate in Appendix A: when we shall explain the concept of net present value of money and how this is affected by riba interest rates and inflation insha Allah. We can better see the difference insha Allah when the evil and theft being done with paper money is explained. For now let's just say the extra notes Mr. Joseph has received as interest in the bank deposit account has not been enough to offset the drop in purchasing power of the money.

Alhaji Ibrahim on his part buys Islamic money (i.e. gold). The price of 18 karat gold in **2000** in Douala was **5,500 francs CFA per gram**. I know for sure because my daughter was born then, and I had to find out this information in order to weigh her hair and give out its weight in gold. In **2012** the cost was **21,000 francs CFA**. So the increase in paper money required to purchase the same amount of gold between the two periods is **21000** divided by **5,500** which is equal to **3.8181818**. So the gold which Alhaji Ibrahim bought for 10 million francs CFA ($20 thousand) in **2000** will now sell **for 38.18181818 million francs CFA.($ 76,363.6362**) in 2012. It is not that gold has become expensive. It is the paper money which has become even more worthless and accessible to manipulation than it was before. Just out of curiosity if we asked the question, how much interest must the bank give Mr. Joseph, so that in the year 2012 his money gives him the same purchasing power as Alhaji Ibrahim who used Islamic money. In other words he does not lose any purchasing power. Let us call this interest rate z%. Mathematically what we are saying is

$$A_{12} = A_0\left[1 + \frac{z}{100}\right]^{12} = A_0\left[\frac{21}{5.5}\right] \ldots\ldots\ldots\ldots\ldots\ldots\ldots (ii)$$

From which we **obtain z = 11.811 %. Nearly 12 % interest**. They currently offer 5%.

We can clearly see from the above example that the system which is stable, equitable, fair, just and inflation free is the Islamic system. Muslims are thus advised to carry out all their transactions in Islamic money. They can always convert at the beginning and the end to the paper money temporarily to make certain purchases or payments to and from other bodies.

Some of the forms riba can take, and attempts to conceal it.

Islam inculcates along with many other virtues, socio-economic justice in particular and justice in general in the Islamic society. Allah (swt) reminds us not to practice injustice in several verses of the Qur'an. Our beloved prophet also drummed into our ears the gravity of injustice and exhorted us to abstain from it. For example in surat Baqarat verse 188 Allah (swt) says.

(QS2. Al Baqarah ayat 188)

وَلَا تَأْكُلُوٓاْ أَمْوَٰلَكُم بَيْنَكُم بِٱلْبَٰطِلِ وَتُدْلُواْ بِهَآ إِلَى ٱلْحُكَّامِ لِتَأْكُلُواْ

فَرِيقًا مِّنْ أَمْوَٰلِ ٱلنَّاسِ بِٱلْإِثْمِ وَأَنتُمْ تَعْلَمُونَ ﴿١٨٨﴾

188. And eat up not one another's property unjustly (in any illegal Way e.g. stealing, robbing, deceiving, etc.), nor give

bribery to the rulers (judges before presenting Your cases) that You may knowingly eat up a part of the property of others sinfully.

We are warned by our beloved Creator not to eat up others properties unjustly. We should not conjure up the sole mental picture of armed robbers, house breakers and conmen. We must realize that there are many more people who play the above infamous roles in disguise. Such as unscrupulous civil servants who use the information they possess as a tool to extort the public. Police men who may be better described as highway robbers than forces of law and order. They force passing motorist to pay their way through. In order to illustrate this let us consider a situation in which a trader goes to a town called Fumbot, renowned for its fruits and vegetables. There he buys a small lorry load of water melon for say 500,000 francs CFA (about $1000) and agrees to pay the lorry owner 100,000 francs CFA ($200) to transport these water melons for sale in another town called Douala, the commercial capital of Cameroon. If there are no “armed robbers in uniform” (I mean bad policemen) on the way but only police men, the overall cost of the goods on arrival in Douala would be 650 thousand[3] francs CFA,($1200) so he can sell for 750 thousand francs CFA, ($1400) making a profit of 100 thousand francs CFA.($200) However in the presence of uniformed highway robbers, the lorry driver is forced at each stop to dish out 10 thousand francs CFA ($20) even if his documents are all ok. Otherwise he’d spend a whole day at each check

[3] **We have assumed handling charges, telecommunication charges, boarding an accommodation charges, fiscal and other charges including loses of 50 000 ($ 100)**

point. And if you have ever travelled in Cameroon you would know there are usually scores of them dotted all over the place. Our driver could well spend over 200 thousand francs CFA,($400) on top of time wasted, the anger with which people usually finish their journeys. Little wonder there are so many accidents. The minister of transport tried to lower the accident rate by banning night journeys for transport vehicles, forgetting that the anger and the feeling of frustration with which drivers have to operate is enough to cause accidents. The overall cost of our goods will now thanks the robbers in uniform, be 800 thousand francs CFA. ($1600) Our trader now decides to sell the lorry load of water melon for one million francs CFA ($2 thousand). That is 33.33% higher. He does this first to compensate for the money extorted by the police on the way, and he takes advantage of the presence of such unorthodox police to increase his profit margin, since their presence will discourage many from attempting the same trade. They therefore artificially restrict supply helping to drive up the prices to levels which could not have been achieved by the riba in the banks and the highway robbers in uniform alone.

Next let us consider how the mere existence of riba in banks and other financial institutions leads to inflation. Let us consider three people **A, B**, and **C** all showing off the same amount of money to society. **A** puts his money in the bank, but he still says he's got the money because nobody considers money given to a bank as having been lent. The bank takes **A**'s money and gives to **B** who also in turn shows it to society. Thus the same amount is seen twice. In other words it has been artificially doubled. This artificial doubling of purchasing power brings about inflation. The second reason is that if the money itself was not Islamic money but paper

money, then what the society is seeing is nothing but worthless pieces of paper. This money which has been artificially doubled and given to **B** has to be paid for by somebody. **C,** who kept his money under his mattress, is one of those who has to pay for the money given unduly to **B**, through the eroding effect of inflation on the money he is keeping. Inflation is further exacerbated by practice of governments (in countries where fiat paper money is used) who print money at will without any real asset to back it up.

With cupidity having been turned by the riba system into a virtue, the banks and similar institutions use collateral security as a way to guarantee retrieval of funds. This leads to social injustice where there is no meritocracy, but the rich get richer and the poor poorer. This is because only the rich can have the collateral required to get the loans in the first place. If you compare this to the Islamic contract such a Mudarabah which not only stimulates investment in cities, but also leads to funds being transferred from the cities where it is concentrated to the rural areas, creating employment, multiplying autonomy, putting the land to use and accelerating growth. The difference between the two is like the difference between day and night.

It is also the cupidity of the riba system which fuels bribery. As money becomes the real god people worship. In Africa this was exacerbated by the ancient African tradition of taking along gifts when one wanted to consult the local village chief. So when the chief becomes a police commissioner, civil servant, or local government administrator Africans tend to find it normal to carry along goats, bunches of plantains and bananas in the form of paper money. To further emphasize the need for all forms of justice in society (judiciary, financial, ethnic, socio-economic,

level playing ground etc) see what Allah (swt) says in the following verses

(QS4. An Nisaa' ayat 29)

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ لَا تَأۡكُلُوٓاْ أَمۡوَٰلَكُم بَيۡنَكُم بِٱلۡبَٰطِلِ إِلَّآ أَن تَكُونَ تِجَٰرَةً عَن تَرَاضٖ مِّنكُمۡۚ وَلَا تَقۡتُلُوٓاْ أَنفُسَكُمۡۚ إِنَّ ٱللَّهَ كَانَ بِكُمۡ رَحِيمٗا ﴿٢٩﴾ [***Qs4***:29AT]

29. O You who believe! eat not up Your property among yourselves unjustly except it be a trade amongst you, by mutual consent. and do not kill yourselves (nor kill one another). surely, Allâh is Most Merciful to you.

(QS4. An Nisaa' ayat 161)

وَأَخۡذِهِمُ ٱلرِّبَوٰاْ وَقَدۡ نُهُواْ عَنۡهُ وَأَكۡلِهِمۡ أَمۡوَٰلَ ٱلنَّاسِ بِٱلۡبَٰطِلِۚ وَأَعۡتَدۡنَا لِلۡكَٰفِرِينَ مِنۡهُمۡ عَذَابًا أَلِيمٗا ﴿١٦١﴾ [Qs4:161AT]

161. And their taking of Ribâ (usury) though they were forbidden from taking it and their devouring of men's substance wrongfully (bribery, etc.). and we have prepared for the disbelievers among them a painful torment.

(QS9. At Taubah ayat 34)

۞ يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ إِنَّ كَثِيرًا مِّنَ ٱلۡأَحۡبَارِ وَٱلرُّهۡبَانِ لَيَأۡكُلُونَ أَمۡوَٰلَ ٱلنَّاسِ بِٱلۡبَٰطِلِ وَيَصُدُّونَ عَن سَبِيلِ ٱللَّهِۗ وَٱلَّذِينَ يَكۡنِزُونَ ٱلذَّهَبَ وَٱلۡفِضَّةَ وَلَا يُنفِقُونَهَا فِي سَبِيلِ ٱللَّهِ فَبَشِّرۡهُم بِعَذَابٍ أَلِيمٖ ٣٤ [Qs9:34AT]

34. O You who believe! Verily, there are many of the (Jewish) rabbis and the (Christian) monks who devour the wealth of mankind In falsehood, and hinder (them) from the Way of Allâh (i.e. Allâh's Religion of Islâmic Monotheism). and those who hoard up gold and silver [Al-Kanz: the money, the Zakât of which has not been paid], and spend it not In the Way of Allâh, -announce unto them a painful torment.

We must never receive a monetary advantage without an equitable counterpart (like in trade). Riba is a major source of undue advantages. There are basically two types as we saw earlier. It must be understood here that although some of the leadership among the ahl kitab in the industrialized world condone economic slavery and economic injustice which riba brings about, the majority of religious leaders in the industrialized world and practically all in the third world condemn riba and all

other forms of injustice. These are our allies. See what Allah(swt) says in surat al-Imran verse 113 to 115

۞ لَيۡسُواْ سَوَآءٗۗ مِّنۡ أَهۡلِ ٱلۡكِتَٰبِ أُمَّةٞ قَآئِمَةٞ يَتۡلُونَ ءَايَٰتِ ٱللَّهِ ءَانَآءَ ٱلَّيۡلِ وَهُمۡ يَسۡجُدُونَ ١١٣ يُؤۡمِنُونَ بِٱللَّهِ وَٱلۡيَوۡمِ ٱلۡأٓخِرِ وَيَأۡمُرُونَ بِٱلۡمَعۡرُوفِ وَيَنۡهَوۡنَ عَنِ ٱلۡمُنكَرِ وَيُسَٰرِعُونَ فِي ٱلۡخَيۡرَٰتِۖ وَأُوْلَٰٓئِكَ مِنَ ٱلصَّٰلِحِينَ ١١٤ وَمَا يَفۡعَلُواْ مِنۡ خَيۡرٖ فَلَن يُكۡفَرُوهُۗ وَٱللَّهُ عَلِيمُۢ بِٱلۡمُتَّقِينَ ١١٥

113. not All of them are alike; a party of the people of the Scripture stand for the right, they recite the Verses of Allâh during the hours of the night, prostrating themselves In prayer.

114. they believe In Allâh and the Last Day; they Enjoin Al-Ma'rûf (Islâmic Monotheism, and follow Prophets of Allah) and forbid Al-Munkar (polytheism, disbelief and opposing Prophets of Allah(swt)); and they hasten In (all) good works; and they are among the righteous.

115. and whatever good they do, nothing will be rejected of them; for Allâh knows well those who are Al-Muttaqûn (the pious - see V.2:2).

In other words we must not associate ourselves with those of the people of the book who have set up an unholy alliance and connive to exploit the rest of the world through economic slavery, military oppression etc. (see Q5:51) This excludes the majority of ordinary people in the industrialised world, and it totally excludes the people of the book in the third world. Only the 1& of capitalist and exploiting sharks are referred to here. The following statement from Allah(swt) further clarifies the matter. In Q3:113-115.

a) **Riba al-nassiah:** From the root nassa meaning keep for later or wait until later on. This has to do with lending out wealth and receiving it later with an addition. In other words two transactions on the same merchandise involving the same actors at different times. There are basically two reasons why someone may be willing to borrow money and pay more money than he borrowed later. For consumption and for investment. In the first case if a man's child is on the point of death and needs treatment urgently, everyone including the devil can see that it is immoral to take advantage of his desperation and ask him to return more money later. In the second case of borrowing to invest in a lucrative venture people argue that had the money been used to purchase an asset such as a house, it would have been perfectly hallal to rent it out for some regular revenue. So why can the money not be

rented out? One must realize that when you rent a house, only the usufruct is transferred to the lessee. The ownership of the house remains with landlord. Assets cannot be compared to money. Arguing that the interest paid is the cost of the profits the capital will make does not hold either because the interest is fixed but this would be profits cannot be known until they actually occur. One cannot buy for a known amount something which is unknown. That is gharar and contrary to Islamic business ethics. One cannot buy the fruits of a farm until the latter is formed on the trees, nor can one buy a calf still in the womb of the mother.

There should be no interest. Not a small amount, nor a gift nor a service to be given to the lender. If a borrower who could not refund for some unforeseen reason decided to invite the lender out for launch before announcing to him his default, it will be considered as riba unless he had the habit before the debt between them, to invite the lender out for launch.

Riba was forbidden in four stages in the Qur'an. The first was in Makah where Allah (swt) stipulated that interest or riba was deprived of the blessings of Allah (swt) and charity multiplied it. (Qur'an surat 30 verse 39)

The second stage was at the beginning of the Medina period. Riba was seriously condemned. It is mentioned that it was also forbidden in earlier scriptures. Those involved in riba were described as unjustly eating the property of others Qur'an surat 4 verse 161.

The third stage was around the second or third year after Hijra. Muslims were asked to stay away from riba if they wanted a good end for themselves. Qur'an surat 3 verses 130-132.

The forth was towards the end of the prophet's (saw) mission on earth. Allah (swt) severely admonished those involved in riba. He made the difference between riba and trade. Muslims were ordered to annul all riba operations and only receive the principal amount and even to wave this if the debtor was in difficulties. Qur'an surat 2 verses 275 to 281.

b) Riba al- fadl: All the other types of rip offs in commercial deals are strongly condemned. These are well identified in the Qur'an and sunnah and called generally, riba al-fadl. We mostly encounter this form of riba in spot markets. In a hadith the prophet(saw) specified that gold, silver, wheat, barley, dates and salt should not be exchanged with its self except in equal quantities and on the spot market. The commodities listed above were used as currency in the time of the Prophet Mohammed (saw).We learn several lessons from this hadith. The hadith follows.

On the authority of Obada ibn al-Samit (RA): The prophet (saw) said, gold for gold, silver for silver, wheat for wheat, barley for barley, date for date and salt for salt. In equal amounts, of the same nature, and from hand to hand (meaning on the spot market as opposed to the futures markets). If the goods are different in them you can negotiate the quanties as you like as long as the sale is done on the spot (meaning no future speculations) [Muslim,. Tirmidzi]

Abu Said al-Kudri also reported a similar hadith found in the collection of Muslim.

The first one is that **Islamic money always has an intrinsic value**. The value of Islamic money is not set by government laws. It is set by the value of the particular substance of which it is made. When we look at history, we see that the bank of England which introduced paper money for the first time actually introduced it to show that a deposit of gold had been made at the bank. The idea of issuing out more receipts than they had gold to justify came under pressure of war. From then on paper money became a deception representing wealth which might not be there. This continued until the western countries cut the link between money and their metallic bases mostly due to the pressure of war. Alexander Hamilton in the US coinage act protected the purchasing power of money. Today there are many voices rising against the unjust fiat paper money. The US dollar has lost 97 to 98% of its value since the creation of the Federal Reserve by private bankers in 1913. From the end of the Napoleonic era up to the end of World War 1, the prices have steadily dropped except for hikes due to sporadic wars. We see that the natural tendency in an economy where there is freedom to innovate, produce and trade, is for prices to drop over time. This is normal as production techniques are improved, volumes increased and new technologies employed. The presence of inflation tells us that riba al-nasia and riba al-fadl are causing havoc. One of the main causes is monetary expansion which is riba al fadl. Voices even inside America are calling for change. In the year 2011 the American state of Utah passed a law accepting gold and silver as legal tender. See www.mises.org/rothbard/Genuine.asp for the advantages of

commodity based currency. You see why our Muslim brothers in Asia are pushing for Islamic money. Some of them are not even waiting for their governments. They are already minting out the coins themselves. If you want to join the large number of businesses world wide who are voting with their feet, please visit www.dinarshops.com and start accepting payment in Islamic coins.

The second thing we learn from the hadith is justice in trade. The price and counter value must be just, equitable and fair. Anything extra on either side is riba al-fadl. For instance deceiving an ill-informed buyer or seller who does not know the market trends is riba al-fadl. Selling sporting equipment at an exceptionally high price just because a famous sportsman has touched it, when there is no difference between that and the other sport equipment is riba. Using false labels, lying on the characteristics, biding upwards to drive up the price of something when one does not intend to buy is riba. In short all unethical business practices on spot markets could constitute riba.

Suppose somebody wanted to give a present to his father in the form of cash. He takes two old bank notes of $100 each to a mutual acquaintance and changes them for one new bank note of $100 which he takes to his father. You would say he has been ripped off. Precisely. That is riba. That is what happened when Billal (ra) exchanged two sas of ordinary dates for one sa of higher quality dates. He was ripped off.

The third thing we learn from this hadith is that the transaction should be done on the spot. Meaning that speculation on price fluctuations not accompanied by real transfer of goods should not be done. However deferred payment and deferred delivery are normal.

Allah (swt) mentions wealth (its nature) and how to use it in many verses in the Qur'an such as Surat Tawba verse 34. (QS9. At Taubah ayat 34)

۞ يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ إِنَّ كَثِيرًا مِّنَ ٱلۡأَحۡبَارِ وَٱلرُّهۡبَانِ لَيَأۡكُلُونَ أَمۡوَٰلَ ٱلنَّاسِ بِٱلۡبَٰطِلِ وَيَصُدُّونَ عَن سَبِيلِ ٱللَّهِۗ وَٱلَّذِينَ يَكۡنِزُونَ ٱلذَّهَبَ وَٱلۡفِضَّةَ وَلَا يُنفِقُونَهَا فِي سَبِيلِ ٱللَّهِ فَبَشِّرۡهُم بِعَذَابٍ أَلِيمٖ ٣٤

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Bil batili, that is in falsehood (false means, pretences of in false or vain things.) For example in the history of medieval Europe, priests got rich by issuing indulgencies and dispensations. They made their office a stepping stone to world power, and possessions,. Even monasteries riches became a scandal. We of course also have abuses in the Muslim world. For instance, the king of a Muslim country who before dying a few years ago was reported in one documentary as spending seven million Euros a day for himself and his family. What a waste. So nowadays, along with the rabbis and monks who hoard money we must include crooked politicians and civil servants, who steal public property and accumulate them in Switzerland or some other tax heaven. What a waste. We must not forget the drug trafficking companies and organizations like cigarette and alcohol manufacturers, hard drug producers and promoters. (Dealers in heroin, cocaine, opium etc), who force money out of the pockets of their victims by using chemical weapons (meaning drug addiction). They are worse than armed robbers who use physical weapons such as guns, because society knows the latter to be bad guys, and they only do this once in a while. They are armed robbers, armed with chemical weapons. **But** the greatest pretention and falsehood of our time is **FIAT**[4] paper money. With it they have turned the world into an arena where a few hold the rest in economic slavery. The slaves currencies are always so devalued that a suitcase full of it will not buy a cup of tea in the slave masters country., In many places when Allah (swt) talks

[4] **FIAT is a Latin word which means "it shall be so", or "let it be done". However, when it is used to describe money, it stands for money with no intrinsic value, and money which is not redeemable. To redeem means to exchange the money for something with real value such as gold.**

about money in. the Qur'an, He either calls it Dinar **(ie gold and silver** coins, **eg Q3:73, Q12:20**), or He talks about gold and silver. These will still be valuable even in the hereafter. **See Q3:91**

These abuses and injustices can be in at least three ways. I) Do not acquire anything wrongfully or through false pretence such as fiat paper money which can later be devalued at will and thus legally steal others properties. Ii) Do not hoard or bury or amass wealth for the sake of it but use it freely for good. This hoarding if encouraged by the false practice of ranking people in society based on what they own rather than what they believe and what they do. Iii) Be particularly careful not to waste it for idle purposes but useful things so that it may fructify for the good of the people.

c) The overall impact (consequences) of riba:

It represents an injustice. It favors the rich by making the rich richer and the poor poorer. On the international level it makes a major part of the world population to become economic slaves of a small minority through riba based loans which are usually not payable. **80%** of world savings are in dollars. A large proportion in Euros and yen. This makes any decision of monetary expansion to amount to theft of the savings of those saving in these currencies. They usually do not say openly that they print money and use. They sometimes call this act of theft in broad daylight **quantitative easing**. What a clever choice of words. Such a phrase is nothing more than A Very clever choice and use of words, in order to conceal their real action, i.e. theft.

Even rats and mice do not steal in broad daylight like this. They prefer to carry out their act of stealing under the cover of darkness.The economic slavery made possible by a world economic order based on riba is worse than physical slavery. In the case of physical slavery, the slave owner only owns the services of the slave. He in turn has to look after the well being of the slave such as food, clothing, shelter and health. In the case of the riba induced economic slavery, the slave himself has to worry about his well being such as his food, clothing, shelter and health. On top of that his talents, services, natural resources are given to the slave master. This is because they use those to pay tribute to the slave master (in the form of interests, taxes etc, as well as consumption patterns induced by soft power or cultural influence and domination.) As the years pass by, the slave master grows materially, intellectually, and lives comfortably while the slaves barely scratches a living. The slave permanently lives from hand to mouth on the verge of extinction. Many of the slaves actually die from poverty related causes.

In the case of francophone Africa, this economic slavery goes even further. Most other countries can print their own fictitious paper money although they are ripped off when it comes to international exchange. The countries making up the central and west African monetary union (former French colonies) cannot even print their own FIAT currency. They have to gather all their foreign exchange and take it to the boss in France who then checks what they have brought and on that bases prints a special version of French currency called CFA franc, meaning francs of the (Colonie Francais d'Afrique) or francs of the (French colonies of Africa). Worse than that is the fact that all their gold reserves

are kept by the French. By the 31st December 2001, the BCEAO (francophone West African central Bank) gold reserves held by France was estimated at **206,528 billion francs CFA**. (Source: Report on the audit of financial state of BCEAO closing 31-Dec-2001). How about the BEAC(francophone Central African central Bank) reserves? How much gold is there, where is it and how much is it worth? This question alone is worth at least ten million dollars. If we agree with the slave masters at one moment to end all this masquerade, then they'll keep the real money which is gold, and we only get to keep small pieces of paper. (i.e. the CFA bank notes)

The CFA franc was created by De Gaulle through a decree No 45-0136 and published on the 26th December 1945. The decree was signed by De Gaulle (French President), Rene Pleven (French minister of finance), and Jacques Soustelle (French minister for the colonies). African countries sometimes bring in more than five times more foreign currency to France and the French economy itself. This is again lent to African countries at exorbitant interest rates.

These all make it almost impossible for people in the slave countries to have investment funds thereby almost halting locally initiated and run projects. The result of all this is of course poverty. Mind you they are not daft. They will always allow a few symbolic projects by locals in order to make the slaves to have hope. Otherwise they may revolt if they have nothing to live for. More often than not, all the slaves have to do with large investments is to contribute manpower at slave wages. Sometimes in the same company, a worker from the slave master's country with the same skills, talents and qualification as a slave worker receives more than ten times the salary of the

slave. The slave finds this to be normal due to the brain washing he has been subjected to. A part of this brain washing at least, is the fact that the slave master resembles the slaves god which he worships every time on a cross. This god is usually depicted with blond hair and blue eyes. He displays a very good resemblance to the slave master.

The printing of money is so accelerated that the printing press cannot keep pace. In the USA for instance, **only 3%** of money in circulation is represented physically. The rest is electronic money.

In the international currency conference of Jamaica in 1976, it was decided that goods produced in a country plus the assets of the central bank (eg gold, foreign reserves etc) must serve as security for the emission of monetary units. Unfortunately nobody is doing this. This is to be expected. Imagine you are given a stamp and stamp pad which is able to stamp papers into money, and you are told please only do that when you have harvested crops from the farm or produced some other goods. Then you are free to stamp out as much money as the value of the goods or produce you have produced. Even an individual without the pressure of strikes and other political consequences waiting in ambush cannot resist the temptation. How much more the government? The consequences of all these to society and to the individual have already been detailed. Just consider the following two factors: In the year 2012, data from credit Suisse showed that 1% of the world population owns 60% of the total wealth in people's hands in the world. How unfair.

There are twenty nine million dollar millionaires in the world while forty thousand children die every day from poverty related causes. Fifty percent of world population earn less than $3 per day.

The central banks or the private banks in the American federal reserve system gives out printed money (or nowadays electronic money) in the form of loans to be paid with interest. No one else can print money. Where on earth will the interest come from? The effect of this is further exacerbated by the practice of fractional reserve banking by all the riba based financial institutions. This means that every financial institution creates money out of nothing. As a result the amount of debt in society far exceeds the cash available to pay for it. Defaults, bankruptcy, economic depressions among others are thus inevitable. This in turn puts such a financial pressure on people that everything else including moral values, humane treatment etc are compromised or even abandoned for cash. The moral and spiritual decadence issuing from this state of affaires is well known.

It brings wrong allocation of funds. Prestige consumption is encouraged by the riba system which is only interested on the returns a particular investment can bring. Resources for new projects and initiatives are allocated not based on the real interest of the different parts of the society, but on the selfish private interests of a privileged few, who have accumulated enough capital or who have the best political connections. This has the effect amongst others of making money to be worshipped in some quarters even more than Allah (swt)

It causes erratic growth. This can easily be seen in western economic history, as they keep oscillating between boom and depressions. This is largely due to the temptation to earn by gambling (speculation) rather than production or provision of services. One of my students in the petroleum industry once told me that a petrol tanker loaded with crude petroleum from the Middle East could find its cargo bought and sold over fifteen times while it is on the way to Europe or America. These are speculative buys. In the London or New York stock exchange this gambling is at its peak.

It causes economic instability: Along with the riba which goes on in banks and other financial institutions, there is fractional reserve banking. This is the situation in which the bank are obliged by law to keep only a tiny percentage of the funds left by depositors. This liberates the resources they need to give out loans to earn riba on. Although the central bank can come to the rescue when some small short term liquidity problems arise, the central bank will not be able to help in case a panic occurs and everybody rushes to the bank for their money. Their practice of buying and selling debts Led to the subprime crises recently.

It causes many other economic problems: One of the problems caused by riba is inflation. First because the banks having been authorized to give out money they have been given to keep, are creating money from nothing. But more importantly the fact that the governments and sometimes even private bankers can print fiat paper currency leads naturally to abuse whenever the slightest pretext can be found. Between 1913 and 2010 the American dollar has lost 98% of its value. From the end of the Napoleonic period to World War I, the prices

of world commodities and other goods steadily dropped, except hikes due to wars. As wars invariably forces the governments into excessive monetary expansion. As one would expect, if people are given the right to print money they would use it. We see then that the general trend should be a steady drop in prices due to improved production techniques, increased volumes, better and more efficient technologies etc. Riba has offset this trend to such an extent that we see the inflation rates mentioned above. In the market of medina in the time of the prophet Mohammed (saw) a chicken cost one Dirham. Using the cost of silver at the jewelers here in Douala Cameroon, The silver content in a dirham coin is worth 1,800 francs CFA in 2012. (That's about three Euros). This, one thousand four hundred years later can still fetch a chicken in the poultry market here in Douala. With Islamic money, no inflation in one thousand four hundred years. What more proof do we need to be convinced of the superiority of Islamic money. A great economist called Mises once stated a theorem called Mises regression theorem, which states that money must originate from something of value. In other words real money must have intrinsic value. Please visit www.mises.org for more details.

The example of the USA. For instance, the FBI statistics for 1990 reveal that there **were 1,756 (one thousand seven hundred and fifty six) rapes per day in the USA**. The department of justice statistics for the year 1996 showed that the rapes per day had increased **to 2,730 (two thousand seven hundred and thirty) rapes per day. That is one every thirty seconds.** Not only in the USA, but in the entire western world and those who admire and follow their example as a model, the riba system encourages gambling. Sometimes this goes by the

more beautified name of speculation. Speculation in fiat paper currency exchange rates, shares and commodity prices in futures markets. This leads to a waste of a substantial part of the man power in society who have left production in the real economy to speculate in the financial sector. The money at all cost spirit brought about by the riba fashioned mind leads to gambling in other parts of the economy. Consider a race of twenty horses where people gamble on the numbers of the first five arrivals in order. The total number of outcomes can be expressed as: $^{n}P_{r} = \frac{n!}{(n-r)!}$ **Here n=20 and r = 5.** That makes **1,860,480** permutations. In other words there should be on average one winner for every **1,860,480 draws**. When you consider how much the winner receives and how much the cost of a ticket multiplied by the above figure is, then you can see how riba makes people blind. The cost of a ticket multiplied by the above figure is equal to no less **than 930,240,000 francs CFA**. **($1,860,480).** They don't even give away 10% of this. We beseech Allah (swt) to protect the Muslim societies from this kind of theft in broad daylight.

With all these injustices and other negative effects of riba, the most important of which are the warnings from Allah (swt). The following verses make us to fully see some of the root causes of the numerous crises in the world today.

(QS30. Ar Ruum ayat 41)

ظَهَرَ ٱلۡفَسَادُ فِي ٱلۡبَرِّ وَٱلۡبَحۡرِ بِمَا كَسَبَتۡ أَيۡدِي ٱلنَّاسِ لِيُذِيقَهُم بَعۡضَ ٱلَّذِي عَمِلُواْ لَعَلَّهُمۡ يَرۡجِعُونَ ﴿٤١﴾

41. Evil (sins and disobedience of Allâh, etc.) has appeared on land and sea because of what the hands of men have earned (by oppression and evil deeds, etc.), that Allâh may make them taste a part of that which they have done, In order that they may return (by repenting to Allâh, and begging his Pardon).

(QS5. Al Maa-idah ayat 100)

قُل لَّا يَسۡتَوِي ٱلۡخَبِيثُ وَٱلطَّيِّبُ وَلَوۡ أَعۡجَبَكَ كَثۡرَةُ ٱلۡخَبِيثِۚ فَٱتَّقُواْ ٱللَّهَ يَٰٓأُوْلِي ٱلۡأَلۡبَٰبِ لَعَلَّكُمۡ تُفۡلِحُونَ ﴿١٠٠﴾

100. Say (O Muhammad): "Not equal are Al-Khabîth (all that is evil and bad as regards things, deeds, beliefs, persons, foods, etc.) and At-Taiyib (all that is good as regards things, deeds, beliefs, persons, foods, etc.), even though the abundance of Al-Khabîth (evil) may please You." so fear Allâh much [(abstain from All kinds of sins and evil deeds which

He has forbidden) and love Allâh much (perform All kinds of good deeds which He has ordained)], O men of understanding In order that You may be successful.

The prophet Mohammed(saw) also strongly condemned riba..

Ali and Ibn Mas'ud said that the Prophet(saw) said "May Allah (swt) curse whoever consumes riba, whoever pays riba, the two witnesses to a riba contract, and the notary who records it.

{Muslim}

Jabir (RA) also reported the above. {Tirmizi, Musnad Ahmad}

Abu Hureira reports that the prophet(saw) said 'Riba can be subdivided into seventy segments, the least of which is more serious than committing adultery with one's mother.{Ibn Majah}

According to Abu Sayid Al-Kudari, the prophet Mohammed(saw) said:'Do not exchange gold with gold except the two are of the same nature. Do not add anything to one compared to the other. Do not exchange silver with silver except the two are of the same nature. And do not add anything to one relative to the other. Do not exchange what is available (of these) with what is not available. {Bukhari}

According to Obada ibn al-Samit: the Prophet Mohammed (saw) said: ' Gold with gold, silver with silver, wheat with wheat, barley with barley, dates with dates, salt with salt, in

equal amounts, of like nature and on the spot market. If the goods are different, then you can fix any quantities you like as long as the exchanges are taking place on the spot market. {Muslim}

Abu sayid al-Kudary also transmitted almost same as above. {Muslim}

The prophet Mohammed(saw) also said, deceiving an ill-informed trader or buyer, receiving a gift after lending money to someone, receiving a present for making a recommendation for somebody are all riba. He forbad Mukhabarah (share cropping). Muzabanah (exchange of fresh fruits on trees with dried and harvested ones.). Muhaqalah(Trading produce not yet harvested with those already harvested and processed)

The scholars of sharia have summarized the forms of riba as follows.

Riba al-Nassiah is an increase as a compensation for a postponement or waiting of payment. Or an increase in the to and fro movement of wealth, without any service or addition.

Riba al-fadl is a collection of a host of unethical business practices taking place on the spot market. It usually involves an increase in one element of an exchange not justified by anything.

Exercises to Chapter one:

1) Determine which of the following is riba, and which type of riba it is.

a)-Mr William sells peanuts or onions whole sale in a certain market. He discovers that the supply route runs all the way from

the north of his country to the south where the market is. So any shortage leads to a temporary price hike. He decides to recruit agents to anonymously buy from the other traders in order to artificially raise the market price in order to sell his entire stock at a higher price. In order to amplify this effect, he pays some crooked journalists to publish fake reports about scarcity and an eminent huge purchase by the United Nations to take to a drought stricken area. By the time this price hike stimulates an increase in supplies, he has already sold all his stock of goods and is waiting for the bubble to burst when the other traders realise that the market is over supplied and price tumble. Mr William now replenishes his stock for a song and six pence (at a very low cost).

b)-Al-Hajj Adamu lends one million to al-hajj yusuf to return in three years time. (In fiat paper currency). However al-hajj Adamu says he intends to invest it in three years time in a project which will yield a profit of three hundred thousand within a year or 30% of one million. So if al-hajj Yusuf cannot refund in time he will have to compensate him for the lost profit of three hundred thousand per year, when he refunds the money.

2) Which of the following would you expect to find in a riba economy?
    a) A very effective social security in which everyone can boast of a minimum life support. I.e. food, clothing and adequate shelter.
    b) The rich getting richer and the poor getting poorer.
    c) The worship of Allah (swt) and a very high degree of respect of those with knowledge.

d) Very beautiful looking mosques and a worship of money. The first rows are reserved for those with money and power.
e) Overall prices fall with time.
f) Overall prices increasing with time (inflation)
g) Banks growing and getting stronger with time.
h) Many banks and financial institutions going bankrupt or getting into problems and being bailed out by the government.

3) The following are actors in one way or another in riba transactions. Which of them is to receive Divine punishment?
    a) The person who lends money and asks for it to be returned with riba (an extra fixed amount or percentage)
    b) The person who agrees to pay back a loan and the extra riba amount put on top of the loan.
    c) The witnesses to a riba based transaction or contract.
    d) The notary who writes the riba contract or records the riba transaction.
    e) The imam of the mosque in which these actors pray their daily prayers.
    f) Those who buy and sell from people who got their capital from riba sources.

Chapter two

Chapter two highlights:

After reading this chapter, you should be able to appraise different investment projects with Islamic criteria.

Investment appraisal in Islam

Financial decisions in general and Islamic financial decisions in particular, assumes the existence of alternatives within the guidelines of Allah (swt) and His Messenger, the prophet Mohammed (saw). It also assumes the reaching of certain goals. Naturally this must be preceded by a search process which should come up with the alternatives. These are first passed through the Islamic filter to remove everything haram. After which the various investments can be appraised.

The simple but widely used investment appraisal methods include payback and return on investment (**ROCE**) meaning return On Capital Employed, sometimes also called **ARR** (Accounting Rate of return). The usual criteria are speed of payback and /or maximum return on investment.

When the NPV (Net Present Value) of the investments and revenues are used, the discounted equivalent of the above would be in operation. The discount rate in an Islamic context can be the average profits on various deposits in Islamic banks in the area concerned.

We have much to gain and nothing to lose, if we used Islamic money as the common currency in all our transactions and contracts,. At the time of payments or receipts of cash, we could convert these back to a fictitious FIAT paper currency. Naturally

the amount we would get fluctuates depending on the ongoing rates. May Allah (swt) make the world see the merits of the Islamic system over time even more than now. Amen. In the year 2012 the total amount of sharia compatible investments in the world was over one trillion dollars, according to a world bank report of Islamic finance. And the trend is rising every day, as the world sees more and more that not only is the Islamic system fair, equitable and pro growth and development, it is also the most stable of systems.

In this book we shall consider an overall view of some Islamic financial instruments and go into some detail into diminishing Musharaka, because this form of finance is not too well known and secondly it can help eradicate some of the riba practices in the society in a way more acceptable to all the parties than some of the other instruments. Examples include the transport sector, real-estate and industrial production. The terms of the contract on some mortgages amounts to theft in case the client defaults as a result of having lost his job, illness, accident etc. We shall also explain the importance and use of time value of money as an investment appraisal technique in one of the appendices.

Furthermore, we shall consider Islamic insurance, and how it differs from conventional insurance. We further explain how a separate Islamic insurance contract can help encourage investors to put out their funds as this insurance can be used to reduce the risk incurred by pooling together several investors and several finance users in the same line of business, or even different businesses.

May Allah (swt) further endow us with more of His favors by giving a clarity and depth of understanding to all those who read

this book and make them understand at least ten further issues and events through the understanding of every issue and event which Allah (swt) makes them to understand in this book. May Allah (swt) make the Muslim community to understand that every field, branch, type, form and category of knowledge is useful for Islam, and as such it is Islamic. Furthermore it is a tool to be used for the promotion, facilitation consolidation, practice and defense of Islam, Islamic values, the image of Islam, and the Islamic way of life. Not just pure theology. See what Allah (swt) says in suratul fatir (the 35th surat: verses 27 to 28.

(QS35. Faathir ayat 27-28)

أَلَمْ تَرَ أَنَّ ٱللَّهَ أَنزَلَ مِنَ ٱلسَّمَآءِ مَآءً فَأَخْرَجْنَا بِهِۦ ثَمَرَٰتٍ مُّخْتَلِفًا أَلْوَٰنُهَا ۚ وَمِنَ ٱلْجِبَالِ جُدَدٌۢ بِيضٌ وَحُمْرٌ مُّخْتَلِفٌ أَلْوَٰنُهَا وَغَرَابِيبُ سُودٌ ﴿٢٧﴾ وَمِنَ ٱلنَّاسِ وَٱلدَّوَآبِّ وَٱلْأَنْعَٰمِ مُخْتَلِفٌ أَلْوَٰنُهُۥ كَذَٰلِكَ ۗ إِنَّمَا يَخْشَى ٱللَّهَ مِنْ عِبَادِهِ ٱلْعُلَمَٰٓؤُا۟ ۗ إِنَّ ٱللَّهَ عَزِيزٌ غَفُورٌ ﴿٢٨﴾

27. see You not that Allâh sends down water (rain) from the sky, and we produce therewith fruits of varying colours, and among the mountains are streaks white and red, of varying colours and (others) very black.

28. and of men and Ad-Dawâb (moving living creatures, beasts, etc.), and cattle, In like manner of various colours. it is Only those who have knowledge among his slaves that fear Allâh. Verily, Allâh is Almighty, Oft-Forgiving.

Who are the scholars who can best appreciate Allah (swt)'s signs in the atmosphere? They are those who have studied the branches of Islam called **meteorology, geography, physics, chemistry mathematics, etc.,**

Who are the scholars who can best appreciate Allah (swt)'s signs in the rocks and their colours, mountains, planets , stars etc? They are those who have studied the branches of **Islam** called **Geology, geophysics, archaeology, geography, physics, chemistry, mathematics astronomy etc. Don't forget that something like the languages including computer languages cuts across all branches of knowledge.**

Who are the scholars who can best appreciate Allah (swt)'s signs in the nature and activities of cattle, wild animals, human beings, all living things including bacteria and viruses, Jinns and angels? They are those who have studied the branches of **Islam** called **Biology, botany, Zoology, medicine, pathology physiology etc not forgetting of course theology.** Allah (swt) concludes that amongst His servants, only those with knowledge (like those in the above list) truly fear Him. May Allah (swt) bring many of those into His community amen thumma amen. I remember having a dream about a year ago, in which someone mentioned to me the name of a scholar called Hassan Basra. I had never heard of that name before, so I decided the following day to search on the internet, what kind of a person Hassan Basra was. I found that he

was a scholar in the early days of Islam who as well as the knowledge of theology also knew about Mathematics, astronomy and much more. I said to myself if this could exist so long ago, we are definitely sleeping today. May Allah (swt) continue to help us.

Here is something to reflect on. We've used the language of mathematics together with the English language. Later we've done the same thing with mathematics and French.

$$Life = \int_{creation}^{birth} F_1(t)dt + æ(i,t) \int_{death}^{infinity} \int_{birth}^{death} [F_2(t) - F_3(t)]dt \ldots\ldots (i)$$

Where **t** is time, **$F_1(t)$** describes the destiny the angel blows in when we are still in the womb, **$F_2(t)$** is a function which describes good deeds(worship in the form of formal and informal prayer, charity, words spoken and thoughts contemplated) during our life here on earth. The magnitude of good deeds depends on things such as the type of deed, the intensity and nobility of the intention which preceded it, the sacrifice incurred to achieve it etc. **$F_3(t)$** is a function which describes our sins here on earth, and **æ(i, t)** is a function of the mercy and the justice of Allah (swt) here on earth and in the hereafter (paradise or hell), as well as the faith and sincerity of the individual in his or her deeds. Its variable **i** represents individuals and **t** stands for time. By **Life** above we mean, **The benefits and punishments of Life**. **The lesson here is simply that mathematics as well as Chinese, English or French is just another language with which ideas could be expressed. It offers the added advantage of higher precision.**

$$La\ Vie = \int_{la\ creation}^{la\ naissance} F_1(t)dt + æ(i,t) \int_{la\ mort}^{infinie} \int_{la\ naissance}^{la\ mort} [F_2(t) - F_3(t)]dt \dots\dots\dots(ii)$$

Ou **t** est le temps, **$F_1(t)$** décrit le destin que l'ange nous souffle dans le ventre, **$F_2(t)$** est une fonction qui décrit les bons œuvres (adorations sous les formes des prières formelles et informelles, la charité, les paroles, et les pensées) pendant notre vie ici bas. Les tailles des bonnes œuvres dépendent des choses comme l'intensité et l'altruisme de l'intention qui la précédé, le type de bonne œuvre, les sacrifices encouru pour les accomplir, etc. **$F_3(t)$** est une fonction qui décrit nos péchés ici bas et **æ(i t**) est une fonction de la miséricorde et la justice d'Allah (swt) ici bas et dans l'au-delà (paradis ou l'enferre) ainsi que sa fois et sincérité dans ses actes. Son variable **i** représente les individus et **t** le temps. **Par La Vie** en haut, nous entendons les **bénéfices de la vie et les châtiments de la vie.** **La leçon ici c'est tous simplement que la mathématique ainsi que le chinois, l'anglais ou le français est une outre langue par laquelle les idées peuvent être exprimées. Elle offre en plus l'avantage d'une plus grand précision.**

Chapter two, exercises.

Choose which one is the best investment from among the following three projects.

1) Investing ten million to grow grain and sell to the local brewery for the production of beer. The payback period is one year and the return on investment is four million.
2) In an area where drought is causing the death of cattle and making many to flee you are asked to invest ten

million to help pump water from the coast using an old petroleum pipeline to irrigate the land and provide drink for people and cattle. The payback period is five years and the return on investment is one million.

3) Invest ten million in producing clothes, caps and bags with the photograph of a popular football player. These items will be sold at five times the cost of equivalent items in the market. The Payback period is six months and the return on investment is five million.

Chapter three

Chapter three highlights:

After reading this chapter you should have an idea about some models of Islamic finance and how Islamic banks and Islamic financial institutions can pay for their expenses without tapping from riba sources.

Some models of Islamic finance.

In order to protect Muslims from the covered up riba done by individuals and institutions in which gold bars, motorbikes and Lorries are used to cover up the riba in those operations, the following should be noted.

All banking products can largely be divided into the following 4 categories:

1. Equity (multiple parties owning shares)
2. Trading
3. Leasing, and
4. Debt

Equity refers to direct ownership, trading refers to buying and selling, leasing refers to giving an asset or service out on rent, and debt refers to providing an interest-based loan.

Simply put, Islamic finance permits equity, trade, and lease-based transactions, but forbids debt. Let's look at some of the basic principles that guide Islamic banks.

These are that transactions must:

1. Be interest free
2. Have risk sharing and asset and service backing
3. Have contractual certainty
4. And that all the elements of the transaction must, in and of themselves, be ethical.

Let's look at each of these 4 guiding principles. First, the transaction must be **free of interest.**

The Islamic ban on interest is not new. For centuries it has been banned by Christians and Jews he Shariah, or Islamic Law, prohibits paying or earning interest, irrespective of whether it is a soft, development loan or a monthly consumption loan. In fact the Vatican itself has said, "The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service."

The examples we've seen clearly show the harms of interest, not only to banks and governments but also to individuals. Islam is concerned with the well-being of society, sometimes at the immediate expense of the individual. A single interest-based loan may *seem* harmless, but an entire economy based on interest can have devastating consequences.

The second principle that governs Islamic finance transactions is the element of **risk sharing and asset and service backing**.

The central juristic principle in the Shariah that informs our concept of risk-sharing states: "al ghunm bil ghurm," meaning "there is no return without risk."

Bankers know that the concept of risk sharing is common to all equity-based transactions. Islamic finance is no different, where profit and loss distribution is commensurate with investment proportions. Lending cash on interest is not the kind of risk sharing we're talking about. In a conventional loan the bank doesn't directly involve itself in how the cash is spent. Here's the cash. See you in a few months with some extra cash. That's all. Even with a secured loan, in which the bank takes security and gets more involved, there is still no direct equity position. The bank still doesn't own anything. An Islamic bank, on the other hand, actually takes a direct equity position, or buys a particular asset and leases it out or shares ownership. It uses risk mitigating tools, but not without first taking ownership risk.

There must also be **contractual certainty**.

Contracts play a central role in Islam. And the uncertainty of whether a contractual condition will be fulfilled or not is unacceptable in the Shariah. Contractual uncertainty happens when the basic prerequisite or integral of a contract is absent, such as the existence of the subject matter, the fixing of a delivery date, or the agreement on a price. Allah (swt) says in surat Ma-ida verse1
(QS5. Al Maa-idah ayat 1)

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ أَوۡفُواْ بِٱلۡعُقُودِۚ أُحِلَّتۡ لَكُم بَهِيمَةُ ٱلۡأَنۡعَٰمِ إِلَّا مَا يُتۡلَىٰ عَلَيۡكُمۡ غَيۡرَ مُحِلِّي ٱلصَّيۡدِ وَأَنتُمۡ حُرُمٌۗ إِنَّ ٱللَّهَ يَحۡكُمُ مَا يُرِيدُ ١

1. O ye who believe! fulfil (all) obligations. lawful unto you (for food) are all four-footed animals, with the exceptions named: but animals of the chase are forbidden while ye are In the sacred precincts or In pilgrim garb: for Allah doth command according to His will and plan.

Conventional insurance, interest, futures and options all contain an element of contractual uncertainty and are thus prohibited.
And lastly, Islamic finance transactions must be **ethical**, which means that there is no buying, selling, or trading in anything that is, in and of itself, impermissible according to the Shariah. Examples include dealing in conventional banking and insurance, alcohol, and tobacco etc.
There are many Islamic contracts which can enable an investor to invest in a venture run by someone else or jointly and earn a profit without resorting to riba. These include mudaraba, bay as-salam and even carefully controlled murabaha. However here I shall mention five only and give some details on one of them.

1) **Ijara. (Renting or Leasing).** This involves handing over the usufruct of an asset to another person in return for a periodic payment. In this case, the asset will remain the

property of the initial owner. So the legal documents of the asset, the impression in society and all the factors related to ownership must show that ownership belongs to the initial owner. The maintenance of the asset beside wilful damage is the responsibility of the owner.

2) **Ijara wa Iqtina (hire-purchase).** Seeing that the owner of an asset has the right to rent it for life, he/she can as a favour to the lease operator, offer to hand over ownership of the asset if the total rent paid reaches a certain value. Just remember that until that point is reached, the asset remains the property of the initial owner. The arrangement in which ownership is transferred right at the beginning is pure riba. Look at it this way. A bank called hidden riba bank international offers to give $1 million to Alhaji Ibrahim under the arrangement that the client (Alhaji Ibrahim) will pay $1.2 million in five years in instalments of $20 thousand per month. Alhaji Ibrahim says no that is riba. The bank says don't worry, we can hide it so Allah (swt) does not see. This is the way we go about it. First we will sell to you some gold bars to be paid for in instalments. That is $1.2 million worth, and you will pay for it in monthly instalments of $20 thousand for five years. Once the documents have been duly signed to that effect, the bank can now buy from you the same gold bars cash for $1 million. All the relevant documents are singed and you can leave with your money. I am sure that even you my dear reader could not be fooled, and you could easily see that this is just a loan of $1 million to be paid in five years with 20% interest. If they could not fool you, how could they hope to fool Allah (swt) whose knowledge is infinite and complete. Let's consider another example. A man **A** wishes to give **500** thousand CFA francs ($1000) to **B** to buy and run a

motorbike taxi service called locally here okada. **B** is to pay back 650 thousand franc CFA ($1300) in daily or weekly instalments over a period of about a year. The problem is everyone can see that this is riba. So why not use the bike in place of the gold bars in the previous example. **A** buys the motorbike and gives **B,** and expects **B** to payback the sum in question. Sometimes ownership is transferred to **B** immediately. More often than not the papers may be in **A's** name, but everyone knows that the motorbike actually belongs to **B**. He takes care of it, sleeps with it. Carries out all minor and major maintenance works on the bike.It does not cease from being riba because a bank was not involved. In Ijara wa Iqtina, only the usufruct of the bike would be transferred to **B** during the period of payment. **A** will still be responsible for the maintenance of the bike, and bear the risk of loss through theft, accident or other reason.

3) **Mudarabah:** In this finance model, the finance provider invests funds in a business to be run by the finance user without any interference from the finance provider, and the profits are shared following pre-agreed proportions. However any loses not due to negligence or breach of contract by the finance user is born by the finance provider.
4) **Bay as-Salam:** In this contract, goods such as farm produce or other goods are paid for up front and the delivery is deferred. The operator uses the funds thus provided to produce the specified goods and keeps the excess as his profit after delivery. The finance provider has the advantage of purchasing at a probably lower price than the market price on delivery date, plus a guarantee of supplies. The finance user has the opportunity to produce as a result of the availability of finance. An alternative to this contract could be

to just pay the land owner to farm for you and rent his land from him. . A Mudarabah or diminishing Musharakah contract could also be used to regulate the agricultural or industrial project.

5) **Bay al-Muajjal and bay-al Murabahah:** In fiqh literature, bay al-muajjal is a sale with differed payment either in lump sum, or in instalments. It is not necessary to disclose the profit margin. This in its self does not at first sight show any signs of being a potential source of riba. When you consider a person who buys goods and specialises in selling them through bay al-muajjal at a higher price than the spot market price, you can see how similar it is to riba al nasiah. If I gave you an amount A_0 with the arrangement that I would receive A_1 in a years's time, such that A_1 is 20% higher than A_0, that would clearly be riba. Someone selling through bay al-muajjal at higher than the spot market price is doing the same thing, except that he is replacing money with goods of equal value. That may fool some people for some time, but it can't fool everybody all the time. Now you see the light. Stand up and oppose it. It certainly can't fool Allah (swt). Bay al-muajjal can take three forms.
   a) **Murabahah** in which The seller provides goods to the buyer with a profit margin mutually agreed. Payment could be on the spot or differed. (As a lump sum or in instalments) If the cost plus profit (agreed upon is greater than the spot market price, then this opens the door to riba. Many Islamic banks have fallen headlong into this trap. Selling for cash with a profit is trade not riba.
   b) **Tawliyah:** In this form of transaction, the sale is done without any profit margin. This is ok. We shall see later

how we can use this to replace the hidden riba now being practiced by some Islamic banks. The secret will be to use Islamic money.

c) **Wadiah:** In this contract the sale is done with a small loss.

I find that the danger of riba is with the fist case where there could be a profit margin. A Muslim can't go to a bank, take a loan of 100 million francs CFA ($200 thousand) to pay 120 million francs CFA ($240 thousand) in 12 years because we can see clearly that this is riba al-nasiah. So can I now tell the riba banks in my country that I have discovered the secret of how to hide the riba in their transactions so they can now \increase the number of Muslim clients they were having? I could say to them, please stop using terms such as interest and start saying murabahah. It's an Arabic sounding term and the Muslims will accept it. Say to them we would not give you 100 million for you to pay back 120 million later. Since you want to buy a lorry, we or any of our subsidiaries can buy the lorry and take ownership, for a hundred million, and then we shall sell it to you for 120 million which you would pay in instalments within twelve years. Come on lets wake up and stop trying to ridicule the religion of Allah (swt). Some scholars say there has to be a double contract for it not to be riba. Well there you have your double contract. The first contract shows the purchase of the lorry by the bank or subsidiary. The second contract shows the purchase of the lorry on credit by the bank's client. The truth of the matter is even with three contracts it will still be riba. Tell me which bank would leave its core business to go out and buy sand extracting equipment, a train, an aeroplane, a lorry etc when there is nobody in line to pass it onto. The fact that the profit margin is disclosed does not make the transaction to become

non riba. It simply means the bank has put all their cards on the table. If the gold bars could not hide the riba in those transactions, the double contract and the Arabic sounding terms will not hide it here insha Allah. It reminds me when I went to the market to buy chicken. I doubted if the chicken the trader presented to me was hallal, so I asked him whether it was hallal. To convince me he showed me Arabic writings on the carton which didn't say hallal. But what do people care. Even our Christian brothers have discovered this weakness among Muslims. When they opened their radio station in a predominantly Muslim area, the name was in Arabic. (Sautul Injeel, meaning the voice of the gospel). The idea is the Arabic sounding term will bring the Muslims to listen. The trick seems to be working for many. What a pity. We must admit that we shall have to purge Islamic banks of this contract for it to become cleaner. It is no surprise that this is the most popular form of financing in many Islamic banks. It is what enables them to continue with riba as usual without the stigma in society of living with haram. Even if we don't stop immediately, because we fear that Islamic banking which is still in its infancy may collapse. As a first step let us admit what it is and take steps to minimise it at first and abolish it later. Among the things we could do, we could create an independent international body, charged with rating Islamic banks. Their rating should show how riba free the bank is. Points are given based on the amounts of dinars invested or exchanged in riba or riba free transactions. The cleanest ones will be rewarded with subvention, prizes, publicity, they will be the first choice for government investments and the government can help provide funds for an Islamic investment insurance company for these banks.

Let us look at the exact conditions given by one of the structures which validate murabahah as being a non riba mode of financing. According to this organism, the prerequisites of Murabahah are the following.

1) The subject matter must exist at the time of the sale.
2) The bank must own the asset.
3) It must be an item of value and Shariah compliant.
4) The subject matter must be a tangible good.

The next list of conditions concerns the price and pricing policy.

1) The cost must be declared to the client.
2) By cost, we mean all expenses involved in acquiring the asset. I.e. things like storage, handling, transport, insurance, freight etc.
3) Price includes all direct expenses and the bank pays indirect expenses.
4) The profit rate must be mutually agreed.
5) The price might be charged on the spot market or deferred and paid as a lump sum at the end of the contract or in instalments on fixed dates during the term.
6) The Murabahah profit must be disclosed as a specific amount.

Next we see the conditions under which the goods must be transferred from the producer through the bank to the client. The steps are the following:

1) The client submits a request for a Murabahah loan and the bank approves.
2) The details are negotiated between the two parties and agreed.

a) The credit.
b) The terms of the credit.
c) The specifications of the asset concerned.
d) The client undertakes to purchase the asset once the bank purchases it from supplier.

3) The client makes a unilateral promise to purchase and the bank's acceptance of collateral in case the client defaults.
4) The bank appoints the client as an agent to purchase the asset on behalf of the bank.
5) The client purchases the asset on behalf of the bank.
6) The bank and the client exchange offers and acceptance of the offer for the purchase of the asset by the client from the bank.
7) The bank transfers the ownership of the murabahah good from the bank to the client on the payment terms agreed earlier.

The above series of steps and procedures are all typical examples of paying a lot of attention to the letter of the law and forgetting the spirit of the law. In order to demonstrate this, we shall put the above list side by side with the equivalent steps in a conventional riba based bank or financial institution. Then insha Allah, the scales shall fall off our eyes and we shall see how shaytan has been blindfolding the Muslims.

Murabahah Prerequisites	Conventional Riba bank Prerequisites
1) The subject matter must exist at the time of the sale.	1)_The reason for the loan must be verified to be real.

2) The bank must own the asset.	2)_The person or entity likely to get into a transaction with the client must have the right to do so. E.g. Own whatever he wants to sell to the banks client.
3) It must be an item of value and Shariah compliant.	3)_It must be an initiative likely to enable the client to pay back the loan plus interest, and it must not involve breaking the law.
4) The subject matter must be a tangible good.	4)_The subject matter in this case has to be tangible although the contrary is not prohibited.

Now we talk about the price and the pricing policy of the subject matter. The Murabahah negotiation is on the left, and the conventional bank is on the right. Note the different words playing the same role such as price and loan or profit and interest.

1) **The cost must be declared to the client.**

2) **By cost, we mean all expenses involved in acquiring the asset. I.e. things like storage, handling, transport, insurance, freight etc.**

3) **Price includes all direct expenses and the bank pays indirect expenses.**

4) **The "profit" rate must be mutually agreed.**

5) **The price might be charged on the spot market or deferred and paid as a lump sum at the end of the contract or in instalments on fixed dates during the term.**

6) **The Murabahah profit must be disclosed as a specific amount.**

1)_The client before asking for a loan already knows the cost of what he wants to buy with the loan. The bank will of course verify.

2)_By cost, we mean all expenses involved in acquiring the asset. I.e. things like storage, handling, transport, insurance, freight etc.

3)_Price includes all direct expenses and the sales company pays indirect expenses such as increases in certain expenses after the contract is signed.

4)_The interest **rate must be mutually agreed.**

5)_The loan **might be paid on the spot or deferred and paid as a lump sum at the end of the contract or in instalments on fixed dates during the term.**

The interest rate must be disclosed as a fixed % **(That means** a specific amount**, since the loan is fixed.**

Now we consider steps towards accomplishing a Murabahah. This is the most important part of the contract. Let us examine it closely and see if there is any difference between a Murabahah as practiced through this procedure and a conventional riba bank. Remember to think of the spirit of the law and don't allow yourself to be drowned in Arabic terms for the same things which are forbidden when you hear them in English.

Steps towards accomplishing a Murabahah contract of acquiring an asset.
1) The client submits a request for a Murabahah loan and the bank approves.
2) The details are negotiated between the two parties and agreed. **a) The credit** **b) The terms of the credit.** **c) The specifications of the asset concerned.** **d) The client undertakes to purchase the asset once the bank purchases it from supplier.**
3) The client makes a unilateral promise to purchase the good and the bank's acceptance of collateral in case the client defaults. (The good is just a screen to hide the riba so the bank has to make sure it does not lose.)
4) The bank appoints the client as an agent to purchase the asset on behalf of the bank.
5) The client purchases the asset on behalf of the bank.
6) The bank and the client exchange offers and acceptance of the offer for the purchase of the asset by the client from the bank. (This is Pure drama)
7) The bank transfers the ownership of the murabahah

good from the bank to the client on the payment terms agreed earlier. (This intention existed before)
Steps towards accomplishing a riba based loan to purchase a tangible asset.
1) A client applies for a loan and the bank accepts after carefully studying his project.
2) The details are negotiated between the two parties and agreed. **a) The amount requested.** **b) The disbursement and repayment terms.** **c) The purpose of the loan. I.e. the asset to be purchased.** **d) The client undertakes to purchase the asset once he receives the loan. Sometimes an advanced payment for the asset is required, to ensure the client complies.**
3) The client undertakes to purchase the good bound by the loan contract from the bank and his honour. The client accepts to provide collateral security en case of default due to human or natural causes.
4) The bank trusts the client before the Islamic bank can trust his own client, and is willing to give the money to the client to purchase the good.
5) The client purchases the good for himself according to the contract with the bank.
6) The client is already using the good to generate revenue in order to pay back the loan plus the interest while the Muslims are still wrangling with procedures.
7) This had been done earlier when the money was given to the client. (Remember that the Islamic bank only bought the good because the client would buy so it is

not a trader.)

By comparing the two contracts as above we see more clearly that riba based financing and murabahah as practiced in many Islamic banks are one and the same. It is only a question of time before conventional banks discover this and start calling the contracts murabahah, the interest will then be called profits. The visibility could be rendered cloudier by throwing in a few Arabic sounding terms in order to exploit the narrow minded faction of the Muslims who think that if it is in Arabic, then it is Islamic.

It comes as no surprise then that murabahah is one of the most popular contracts in those Islamic banks who accept it, because it means business as usual as far as riba is concerned, except that this time round we get the added bonus the society does not see it. So the banks and their accomplices (clients) can benefit from riba without the social stigma of eating haram. If the society cannot see their dirty money, then that is fine. Let us not forget that Allah (swt) sees and knows everything. In my humble opinion, those who validate these contracts as Islamic are focussing on the letter of the law and forgetting the spirit of the law.

Another example where there is clear riba in disguise is in some forms of sukuk transactions. Sukuk is the plural for saak meaning a share. Let us consider two people who want a certain amount of money to invest and are both willing to use their houses as guarantee. Again we shall use a parallel table to see if there is any real difference between the system using sukuk and conventional riba. This time let's assume the actors are not necessarily banks but a group of people. Call them an association called Special Purpose vehicle. Or SPV. The table follows. On the left we show the sukuk based "Islamic finance", and to the right we show riba based financing.

Islamic Sukuk based financing	Conventional riba based financing.
1) Some people get together and set up an SPV. (Special Purpose Vehicle.)	Some people get together and set up a financial cooperative to give out loans on interest.
2) A man who owns a house applies for financing.	A man willing to put up his house as collateral applies for a loan.
3) His house is divided into Sukuk (shares) by the SPV and people are invited to buy these sukuk. With all the Sukuk bought, the finance is raised ready to be given out.	The members of the cooperative contribute towards the capital to be used to provide loans. They will share in the interest payments according to the ratio of their contribution or some similar arrangement.
4) The amount raised is used to buy the finance users house with the understanding that he can buy it back later for the same or a higher amount. The sukuk finance user loses his house on paper but he can re-own it if he repays the loan after a fixed term.	The amount raised is lent to the applicant to be paid as a lump sum in the future, with his house used as collateral security in case of default. He doesn't actually loose his house on paper but just faces the risk of losing it if he cannot pay back the loan. He continues to live in his house.

Now we look at the terms for the interest payments. Oh yes I know. One party prefers not to call it interest but rents on the house. Very clever. The table follows.

1)	**The house is leased back to the finance user who pays rents every month until he term passes and he re-buys his house from the SPV. The rents are shared to the Sukuk owners.**	The borrower pays **interests** every month to the cooperative for the entire term until he repays the loan at the end of the term, and the contract is terminated.
2)	**The SPV resells the house to the initial owner for the same or a higher amount and the contract is terminated and the finance user has his house again.**	The borrower repays the loan and the contract is terminated. He keeps his house since he has paid the loan

Now my dear brothers and sisters let us tell the truth and shame the devil. Is there any real difference between the two transactions above other than the names things are called? Some people may prefer to say Cooperative instead of SPV, Rents instead of interest etc.

In my humble opinion the two contacts are one and the same. And they are both riba. With One riba transaction done openly and the other in disguise.

Let us believe truly and sincerely that riba is bad for us and stop trying to deceive Allah (swt) because He cannot be deceived.

Bay al-Muajjal without riba: Le me now propose how I think we could use the bay al-muajjal contract (but tawliyah,

not murabahah.), without riba. You will remember that tawliyah involves differing payment without a profit margin.. You might ask who can accept that. Do not forget that in a riba free system (i.e. no interest and no fiat paper money) the general Tendency is for prices to fall over time as we explained and demonstrated earlier. Under such circumstances, the burrower loses because by the time he returns or pays back his loan, the purchasing power of the loan has increased. So the lender would be able to purchase more with it than before he lent it. This factor in its self gives tawliyah a meaning. In the present inflationary riba system, the lender in a qard hasan loan (a loan in which the same amount is returned) loses money as a result of the loss of purchasing power of the amount lent over time. This is because due to inflation you need more bank notes to buy the same things as time passes. This discourages lending. You may ask whether we shall ever successfully get rid of riba and all its consequences like inflation all over the world for tawliyah to become feasible. The answer is we don't have to. All we have to do is get rid of them from our Islamic societies. We could then use Islamic money to stabilise our transactions and actually take advantage of the fictitious nature of fiat currency. We must realise that even if all Muslims in the world start using Islamic money to trade between themselves, we will still be surrounded by riba and fiat paper currency or its electronic equivalent becoming more and more popular in recent times. In my country, electricity bills, phone bills, water and cable television can now be paid using the mobile phone. You can transfer money with the phone etc. That is no problem. Let us consider the lorry example again. This time the bank or financial institution is an Islamic one, and they use

Islamic money (meaning money with intrinsic value). In the year 2000, the Islamic bank gives gold (in coins or otherwise) worth 100 million francs CFA ($200 thousand) then to a client to purchase and use a lorry. In the year 2000 the price of **18 karat gold was 5,500 francs CFA per gram**. I know that for sure because my daughter was born then, and I needed this information to give equivalent weight of her hair as sadaqat. In 2000 we required **18.18182 Kg of gold** to exchange for **100 million CFA francs**. So the bank makes a bay al-muajjal contract to sell the lorry then **worth 18.18182 Kg of gold** to their client who is to pay within **12 years at the rate of 126.2626 grams of 18 karat gold per month**. Within twelve years all the **18.18182 kg of gold** would have been paid. Note that there **is no profit margin** here. It's the same amount of gold. **However in 2012 the exchange rate between gold and the fiat currency was 21,000 franc CFA per gram. Allahu Akbar here is the magic of Islamic money. So the initial amount of gold can now be exchanged for (21,000/5,500 * 100) million francs CFA. I.e. 381.8182 million francs CFA ($763.636 thousand). If you think that Allah (swt) is not the greatest or that Islam is not the best system for the universe, then try and bit that. Alternatively the Islamic bank could simply give a qard hasan loan of 18.18182 Kg of gold to their client to pay back within 12 years at the monthly rate of 126.2626 grams of 18 karat gold per month.**

If Muslims start doing this, the abuses on the fiat currencies will certainly decrease as they will now appear ridiculous in the eyes of the world. And all the victims of these injustices all over the world will breathe a breath of relief insha Allah. However one must understand the monetary system is a

sensitive subject. The African leader Kaddafi may well have been killed because of that mainly as well as other issues. He had accumulated **144 tons of gold** to mint Islamic dinar eventually. This is how the Islamic economy can check the excesses of the riba system and stabilise the world economy while at the same time protecting Muslims assets and properties as well as everybody's assets and properties.

6) **Musharakah:** In this contract, two or more partners or groups of partners pool together their resources to launch a venture. The losses are shared according to the ratio of participation in the capital. The profits on the other hand are shared according to pre-agreed ratios which could be different from the capital participation because some partners could be sleeping partners while others are active. We shall not be too concerned about Musharakah in general for now. We shall further discuss **diminishing Musharakah**. A contract in which one partner continuously buys over the shares of the other partner until his share in the business drops to zero and he quits the business.
7) **Diminishing Musharakah:** What are the advantages?
    a) The problem with ijarah is that few people would like to permanently be using someone else's asset without much hope of owning something similar. To be able to save towards purchase of one's own asset, will require double expenditure. Paying the rents and saving while meeting one's daily needs. The rents are sometimes arranged in such a way that one can barely make ends meet. Since the finance user has no plans of owning the asset, he would maximise its productivity. This in turn can seriously shorten the life span of the asset. He might even wave

certain maintenance schedules to avoid the time it might have wasted, to the detriment of the asset's lifespan.

b) **Ijarah wa Iqtina:** This contract on the other hand has certain advantages over the preceding contract depending on whether you are the proprietor or the finance user. It offers the possibility of ownership, but there are a few complications both on the finance user's side, and on the investors side. Let us begin with the finance user.
   i) Suppose he can't follow the contract to its term, due to health, accident etc, what happens to the funds he has already paid?
   ii) The asset generally ages, but the total lease he has to pay is usually calculated on the cost of the new asset.
   iii) If technology, government policy or something else makes the category of asset to drop in price considerably, the finance user will still have to finish his contract on the old price. This can over work the finance user as a drop in price usually means a drop in the revenue produced by the asset as the market adjusts to the new situation.
   iv) Since it is the finance provider who has to maintain the asset, his non availability (due to a journey or illness etc) can be a real obstacle to the smooth running of the business.
   v) Looking at the finance provider's side of the issue, he has to take care of the maintenance of the asset throughout the lease period. This can lead to some awkward situations. For instance, the finance user can use this as a stick to force the finance providers hand towards certain operational concessions (like days off) by indirectly threatening to raise the expenditure. In the

extreme case of moral hazard, fictitious maintenance schedules can be played out just to suck some funds illegally from the investors pocket to that of the finance user.

vi) There is little incentive apart from saving time, for the finance user to carry out certain maintenance operations by himself. A skill which he must have acquired or improved upon from the close follow up of maintenance which he has been doing with those caring out maintenance.

c) **Diminishing Musharakah**: All the above complications can be eliminated or considerably reduced by a contract called diminishing Musharakah.

i) Since there is hope of owning the asset, the finance user will take better care of it and will be more enthusiastic with his work. Furthermore he is not likely to over use the asset to the detriment of its lifespan because he wants to take it over in as good a condition as possible.

ii) He will be more interested in learning about maintenance during every maintenance operation as he sees that he will need these skills in order to save himself considerable cost in the future.

iii) If the contract for any reason has to be interrupted before completion, it is always clear how much of the asset each partner owns. One partner can compensate the other, or the asset can be sold and the value shared to all partners according their current share ratio.

iv) If due to technology or government policy the value of the asset changes abruptly and unpredictably, the value of the shares can be adjusted
v) Concerning the non availability of the finance provider preventing the smooth running of the business, the contract could enable the user's share of revenue or part of it to be put into a special account to serve the purpose of helping the finance user come up with his share of the maintenance cost. The finance user could be empowered to use some of the funds up to a certain limit for maintenance and inform the finance provider later. These funds could then be deducted from his share of the revenue. The investor's share of maintenance costs could thus be assured even when he is absent, or is short of cash.
vi) Since the finance user also shares in maintenance costs, he is not going to invent fictitious maintenance programs in order to divert some of these expenses into his pocket.

Chapter three exercises:

Al-hajj Adamu wants to buy a car and give a young man by the name of Ibrahim to run as a taxi and pay him his money later.

i. Which of the following Islamic contracts do you think the finance provider might like? Give reasons for your answer.
ii. Which of the following Islamic contracts do you think the finance user might like. Please give reasons for your answer.

Here is the list bellow.

a) Qurd hassan.
b) Mudarabah in which the finance provider gets 30% of the profits.
c) A Musharakah in which each partner brought a share of the initial investment. The losses are share according to the ratio of capital contribution and the profits are shared according to a pre-agreed ratio.
d) Diminishing Musharakah.
e) Bay al-Muajjal without riba.
f) Ijara
g) Ijara wa Iqtina.

Chapter four

Chapter four highlights:

After reading this chapter you should be able to draft a diminishing Musharakah contract and determine the various payments and the different profits at the end.

We are now going to define a list of symbols which will represent the various variables throughout this booklet. We will try to be as consistent as possible in order to facilitate understanding. We shall present them in tabular form in sha Allah.

Symbol	Description as used in this booklet across all the examples and equations.
A_0	The total initial amount put in by an investor in a business initiative (cash or kind)
A_j	The total amount an investor still has in a business after the j^{th} share purchase.
a_j	The amount paid to purchase one share at the j^{th} instalment.
$.a_0$	The initial value of one share.
n	The number of shares initially owned by the investor. It also equal to the number of instalments required to pay back the investor one share per instalment.
U_0	The value of the total initial contribution to the total investment outlay I_0 by the finance user, in cash or in kind.
U_j	The total value of the finance user's share in the venture at the j^{th} instalment.
I_0	Total initial investment outlay. Thus $I_0 = A_0 + U_0$

$\mathbf{I_j}$	The total financial value of the business at the j^{th} share purchase
$\mathbf{w_j}$	The total number of shares the investor owns at the j^{th} instalment.
$\mathbf{y_j}$	The total number of shares the user owns at the j^{th} instalment
$\mathbf{m}$	The total number of shares of the investor and the finance user. $\mathbf{A_0}$, $\mathbf{U_0}$ and $\mathbf{a_0}$ are chosen so that **n** and **m** are both integers.
$\boldsymbol{\lambda}$	The constant used to calculate the rent or revenue at the j^{th} instalment if it varies.
$\mathbf{B_j}$	The fraction of total value of the business belonging to the investor at the j^{th} instalment.
$\mathbf{z_j}$	The fraction of the business belonging to the user ar the j^{th} instalment
$\mathbf{R_i}$	The investor's share of total revenue at the j^{th} instalment.
$\mathbf{Q_j}$	The users share of the total revenue at the j^{th} instalment.
$\boldsymbol{\eta_j}$	The fraction of total revenue going to the user. This is usually different from the fraction of the total share the user owns on account of the fact that he alone works.
$\boldsymbol{\rho}$	A constant used to fix to what extent the user's revenue is different from what it should have been if the fraction of shares he owns alone was used.
$\mathbf{L}$	The number of projected instalment intervals in the estimated lifespan of the venture.
$\mathbf{P_i}$	Net profit to be received by the investor over the payback period.
$\mathbf{S_u}$	The user's overall share in the revenue of the business.

Nevertheless, we shall still introduce each variable whenever it is used for the first time in the book. This we hope will make you to become familiar with them faster. The same symbols are used in

different examples. It is hoped that you would memorize the equations and apply them in real life situations.

Let us now derive the general equations we shall need to apply to different diminishing Musharakah initiatives in the future. The approach throughout the derivation process In order to keep things as general as possible, will be that no specific figures will be used in the derivation process. Let us suppose that an investor brings an amount $\mathbf{A_0}$ to be invested in a venture in which the user or operator, who also brings a share $\mathbf{U_0}$, is to be a working partner. The investor may or may not be a working partner. If he only comes up with the money and does not work as well, then he is known as a sleeping partner. The total investment outlay $\mathbf{I_0}$ is given by

$$\mathbf{I_0 = A_0 + U_0 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)}$$

A second contract is established stipulating that at the end of a certain periodic interval (which could be anything such as one week, ten days, one month etc) the user is to pay the finance provider a certain fixed or variable amount in exchange for a share of the business. You could of course buy more than one share, however, for simplicity; we shall consider the case where the shares are bought one at a time. In order to be sharia compliant, the buying of shares must be separate from the sharing of the revenue side of the business. This can be achieved by allowing the finance provider to propose the shares to others as well, or by making an independent body to determine the value of the share at each installment. And yet in other situations when the variation in the values of the assets associated with the venture can be estimated in advance, some depreciation model is used to calculate the value of the shares.

In the last case it is always a good idea to put clauses in the contract when certain independent bodies can intervene if for some unforeseen reason, the real performance deviates considerably from the ideal. We shall see later insha Allah which of the above is better suited to businesses having different types of assets.

Let **n** be the total number of shares the finance provider owns. This is also the number of payback periods required to sell all his shares and exit the business, if we assume that one share is sold at a time. Let us also call the total number of shares in the venture **m**. That is the shares of all parties put together. The following relationship follows.

$$\boldsymbol{A_0 = na_0 \; and \; I_0 = ma_0} \; \ldots\ldots\ldots\

value of a share and the installment number? There are basically three types of assets.

a) **Long term assets:** In this category, we have things such as buildings, roads etc which can last for hundreds if not thousands of years. Since in such cases the payback period is usually negligible compared to the lifespan of the asset, the value of each share is assumed to be constant. That is $\mathbf{a}_j$ is equal to $\mathbf{a_0}$ for every value of **j** between zero and **n**. This can greatly simplify the various calculations.

b) **Depreciable assets:** These will include things such as cars, Lorries, motorbikes, factory capital equipment etc. In this case the value of the asset at installment **j** will be generally lower than the value at installment 0. The easiest form of depreciation is linear depreciation in which the value of the asset drops linearly over the lifespan of the asset. The asset drops linearly from an initial value of $\mathbf{I_0}$ to a scrap value of $\mathbf{I_L}$ over a time period equivalent to **L** intervals. See Fig (1) below: NB. The horizontal axis measures intervals.

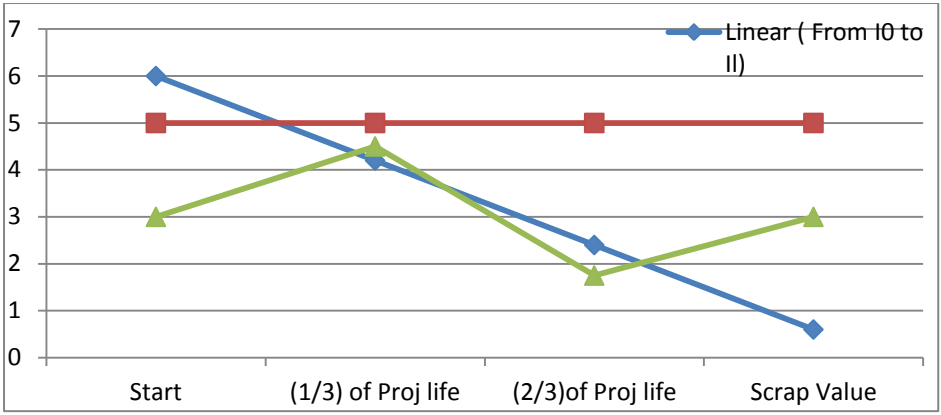

Fig (1)

The linear depreciation above decreased linearly from I_0 to I_L in L installments. So the value of the assets at instant j is Ij. This can be expressed as a function of I_0, I_L, L and j as follows,

$$\boldsymbol{I_j = I_0 - \frac{j}{L}[I_0 - I_L]} \ldots\ldots\ldots\

$$a_j = \frac{I_j}{I_0} a_0 = \frac{a_0}{I_0}\left[I_0 - \frac{j}{L}[I_0 - I_l]\right] \ldots\ldots\ldots..(3c)$$

$$and\ r_j = {}^{I_j}/_{\lambda}\ where\ \lambda = {}^{I_0}/_{r_0} => r_j = \frac{I_j}{I_0} r_0 \ldots\ldots\ldots(3c)$$

These equations can be used to calculate the varying share values, and the rents or the revenue even if they are allowed to vary. Now since it is a partnership, when revenue comes in, the investor gets a share and the user as well. However the share of the user may not always reflect the fraction of shares of the business he owns when he is the only working partner. If we are talking of cases where no work is involved such as the rent paid for a house, then the investors share $\mathbf{R_j}$ and the user's share $\mathbf{Q_j}$ are given by.

$$R_j = \beta_j r_j = \frac{w_j}{m} r_j \ and\ Q_j = z_j r_j = \frac{y_j}{m} r_j \ldots\ldots\ldots\ldots(4)$$

Where ($\boldsymbol{\beta_j}$) and ($\mathbf{z_j}$) are the fractions of the business owned by the investor and user respectively. While ($\mathbf{w_j}$) and ($\mathbf{y_j}$) represent the numbers of shares owned by the investor and the user respectively. In these types of cases, the losses are shared in the same proportion as the revenue. That is because there is no work to be done by any of the partners.

We can further simplify matters by not allowing the rents or revenue to vary, even for a fast depreciating asset like a motorbike. There are several reasons for this.

- The finance using partner already has the advantage that his share of the revenue exceeds the amount which

corresponds to the proportion of the shares he owns. By how much it exceeds, can be adjusted to compensate for any desire to vary the rent or other revenue downward.

- ❖ As the user buys more and more of the other partner's shares, his part of the revenue increases constantly as the effective revenue going to the investing partners is decreasing.
- ❖ The strongest reason is that the amount charged by the user for the services provided by the asset being exploited or the revenue from the business does not depend on the age of the assets being used.
- ❖ When the assets are new, the operators are not yet experienced or have not yet totally mastered its peculiarities. This can be a cause of great loss to the investor. By the time the asset ages a little; the operators would have more mastery and would thus be more productive than at the beginning.
- ❖ The maintenance cost tends to drop initially as the operators learn about simple maintenance operations which they can do themselves.
- ❖ The cost of producing goods or services after the initial trial run and the incubation period usually decreases.

We shall thus pursue the analysis with a fixed periodic revenue **r**, which will not vary over the transition period. By that I mean the share transfer period between the investor and the user.

We said earlier that the investor's fraction of the shares $\boldsymbol{\beta_j}$ and the user's fraction $\mathbf{z_j}$ will also be the ratio by which losses and expenses shall be shared. Revenue could also be thus shared for some special cases. However when there is only one working partner, or group of partners, then it will be unfair not to take into

account this fact in the calculation of revenue**. Let us suppose that the user's share of the revenue is the fraction η_j where $0 \leq \eta_j \leq 1$. Then we must have the additional constraint that $z_j \leq \eta_j \leq 1$.**

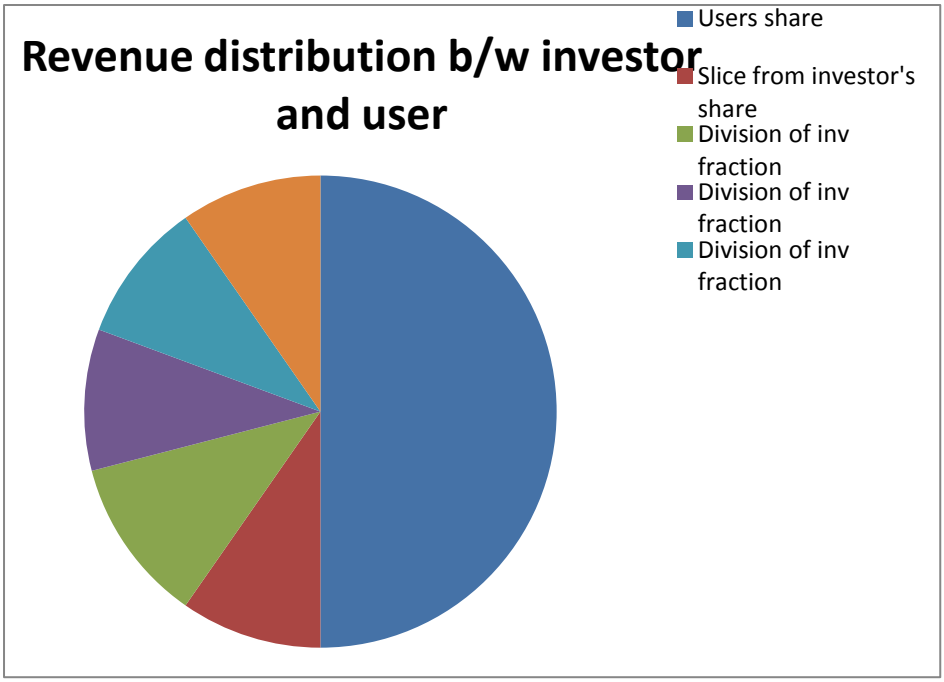

Fig (2)

As you can see above, the investors share has been subdivided into 5 equal parts, and one of these parts has been added to the users share. Mathematically, we shall divide up the finance provider's share of revenue into **ρ** parts and increase the finance user's share with one of these parts. This amounts to cutting off **1/ ρ** of the investors share and adding to the user. The two parties are free when drafting the contract, to decide the value of **ρ**. The higher it is , the closer the revenue distribution is to the

share distribution. In the limit as **ρ** tends to infinity, the revenue distribution becomes equal to the share ratios. Mathematically, what we are saying is

$$\eta_j = z_j + \frac{1}{\rho}(1 - z_j) = \frac{1}{\rho}\left[(\rho - 1)z_j + 1\right] \ldots\ldots\ldots\ldots (4a)$$

In the equation above, **ρ** can be any positive constant of our choosing. We use **ρ=5** in the pie chart to illustrate, but you are free to make **ρ** whatever your agree on.

$$\lim_{\rho \to \infty} \eta_j = z_j \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (4b)$$

We get the user's share of the revenue Q_j by multiplying η_j **by r. wh**ere **r** is the constant revenue we explained above. However we must always remember that **r** could vary during the lifespan of the business, predictably or unpredictably. Before continuing with the derivation of the relevant equations, let us discuss briefly the third type of business asset, after a) long term assets (Such as a house). b) Depreciable assets. We now talk about the assets of a production unit.

c) **Multiple asset in a company setup:** When we have a company with multiple assets being used in the business of either manufacturing, merchandising, research or providing some services, or a combination of one or more of the above, it is no longer possible to have a single depreciation model as in b) above. This is because the assets may be acquired at different times, they may have different life spans, and they may be depreciated on different criteria such as volume of production, time, etc. In such a case we could specify in the contract certain

independent bodies who would determine the values of the shares during every installment. Alternatively, we could allow the investor(s) to propose their shares to the highest bidder. In this way market forces will see to them getting a fair price for their shares. All of these gymnastics is because the renting and share purchasing operations cannot be done in the same contract, if they are to be sharia compliant. Let us now return the derivation of the various equations we shall need in order to evaluate the parameters of each case.

Now the user's share of the revenue $\mathbf{Q_j}$ = $\boldsymbol{\eta_j}$ **r.** Where **r** is the revenue assumed constant in this case, although we must never forget that it could vary. It follows that the investors part in the revenue ($\mathbf{R_j}$) is given by $\mathbf{R_j}$ = (1- $\boldsymbol{\eta_j}$)**r.** Then substituting for $\boldsymbol{\eta_j}$ in the expression for $\mathbf{R_j}$ and rearranging, we can write (4c) as follows

$$\boldsymbol{R_j = \frac{\rho - 1}{\rho}\left[1 - z_j\right]r = \frac{\rho - 1}{\rho}\left[\beta_j\right]r \ldots\ldots\ldots\ldots (4c)}$$

$$\boldsymbol{et\ Q_j = \eta_j r = \frac{1}{\rho}\left[(\rho - 1)z_j + 1\right]r \ldots\ldots\ldots\ldots\ldots\ldots (4c)}$$

If we work out $\mathbf{R_j + Q_j}$ from (4c) above, we find that $\mathbf{R_j+Q_j=r}$ and $\boldsymbol{\beta_j + z_j = 1}$ as expected. Therefore the equations are accurate. Equations (4c), describes how revenue is to be shared between the partners. In practical terms, during the running of the business, how do we determine the relevant amounts involved in simple terms? We see from equation 3a that the value of the share which started life as ($\boldsymbol{a_0}$) at the beginning, has evolved to

(a_j) at the j^{th} installment such that:

$$\boldsymbol{a_j = I_j/m = \frac{I_j}{I_0} a_0} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (\mathbf{5a})$$

All this is saying is that as the value of the business venture changes, the number of shares does not change. This implies that the values of the shares must change. In the case of depreciation, the share value drops following the depreciation model. Equation (5a) can thus be used to determine how much is to be paid for each share at a particular moment. We must remember that the revenue must be calculated and shared first before the new share distribution is recorded because that revenue over the period of the last installment was obtained with the share distribution scenario preceding what will now be the situation once one more share changes hands. If we assume linear depreciation, we can express equation (**5a**) as:

$$\boldsymbol{a_j = \frac{a_0}{I_0}\left[I_0 - \frac{\Delta I}{L} j\right]} \ldots\ldots\ldots\ldots (\mathbf{5b})$$

Where $\Delta \boldsymbol{I} = \boldsymbol{I_0 - I_l}\ and\ \boldsymbol{L}\ is\ the\ №\ of\ intervals\ to\ scrap.$

The expression in square brackets is the value of the asset at the **j^{th}** installment.

How do we obtain $\boldsymbol{\beta_j}$ and $\boldsymbol{z_j}$, the fractions of the business belonging to the investor and the user respectively at any instant during the running of the business? This figures are required in order to distribute the expenses and eventually (if any) losses. It's quite simple. If the investor owns at the j installment $\boldsymbol{w_j}$ shares out of the **m** shares the business has, then we can write.

$\beta_j = {}^{w_j}/_{m}$ $similarly\ z_j = {}^{y_j}/_{m}$ ……(5c) **Where y is the number of shares the user owns.**

To simplify matters, we shall consider anytime a new share exchanges hands as an installment at which point the revenue must also be presented. In case of some difficulty (mechanical fault, illness, difficult commercial environment, accident etc), the partners can agree to postpone a particular installment and ignore the longer period of time between installments or consider it as a qard Hassan debt owed the investor by the user. With this in mind, the initial investment was $I_0 = A_0+U_0$. where U_0 is the part of the user and A_0 the contribution of the investor. We agreed to divide I_0 into **m** shares initially a_0 such that $I_0/a_0 = m$ **and** $A_0/a_0 = n$. Both **m** and **n** are to be integers and $m \geq n$. So initially there are all together **m** shares of value (a_0) each. The investor initially owns **n** of them and the user **m-n** of them. Also $w_0 = n$ and $y_0 = m - n$. with these in mind, equations (5c) could be rewritten as (6a) and (6b) below.

$$w_j = w_0 - j = n - j\ and\ y_j = y_0 + j = m - n + j \ldots\ldots\ldots (6a)$$

Substituting (6a) into (5c) above yields (6b) below as follows.

$$\beta_j = \frac{1}{m}(n - j)\ and\ z_j = \frac{1}{m}(m - n + j) \ldots\ldots\ldots\ldots\ldots\ldots\ldots (6b)$$

With the above expressions (6a) and (6b) the part of the revenue going to the investor R_j and the user Q_j can be calculated. We will make adjustment for the fact that only one partner is working. If in a subsequent example that is not the case, then simply turn down the adjustment to zero. We shall simply substitute for **β** and

z in equations (4c) above to get expressions for $\mathbf{R_j}$ and $\mathbf{Q_j}$ in sha Allah. This leads to equations (7) below.

$$\boldsymbol{R_j = \frac{(\rho-1)}{\rho}\left[1 - z_j\right]r = \frac{(\rho-1)}{\rho}\left[\beta_j\right]r \ldots\ (7a)}$$

$$Or\ \ R_j = \left[\frac{(\rho-1)}{\rho m}\right][(n-j)]r \ldots\ldots\ldots\ldots(7a)$$

similarly

$$Q_j = \eta_j r = \frac{1}{\rho}\left[(\rho-1)z_j + 1\right]r \ldots\ldots\ldots\ldots\ldots(7b)$$

but $z_j = \frac{1}{m}(m-n+j)$ **therefore**

$Q_j = \frac{1}{\rho}\left[(\rho-1)\left[\frac{1}{m}(m-n+j)\right]+1\right]r$ **This can be simplified as follows**

$Q_j = \frac{(\rho-1)}{\rho m}\left[j-n+m+\frac{m}{(\rho-1)}\right]r = \left[\frac{(\rho-1)}{\rho m}\right]\left[j-n+\right.$
$\rho m(\rho-1)r$**.....(7c)**

Adding $\mathbf{R_j+Q_j}$ as a check we get

$$R_j + Q_j = \frac{(\rho-1)}{\rho m}\left[(n-j)+(j-n+m+\frac{m}{(\rho-1)}\right]r$$
$$= r \ldots\ldots\ldots\ldots\ldots\ldots(7d)$$

The total is r as expected.

So the expressions are accurate. Since **a** is not necessarily constant, The sum from 1 to **n** of ($\mathbf{a_j}$) is not necessarily equal to ($\mathbf{A_0}$). This means that the profit the investor will have ($\mathbf{P_i}$) will be his share of the revenue in total less the decrease caused by the drop in the value of the share due to depreciation or the business environment (in the case of a company structure.) Meanwhile part of the refundable part of the revenue going to the user, can be used to pay an Islamic insurance premium to cover things like heath problems, family tragedies etc. The users share of maintenance expenses can be paid from it if the user (as might be the case) does not have ready cash. Now, Remembering that the total refundable revenue due to the user is $\mathbf{S_u}$**. We** can express what we just said mathematically as follows:

$$\boldsymbol{P_i = \sum_{j=1}^{n} R_j - \left[A_0 - \sum_{j=1}^{n} a_j\right] \; and \; S_u = \sum_{j=1}^{n} Q_j} \; \ldots\ldots\ldots\ldots (\mathbf{8a})$$

Substituting for $\mathbf{a_j}$ from equation (5b) above and using (7), we have

$$\boldsymbol{P_i = \frac{r(\rho - 1)}{\rho m} \sum_{j=1}^{n} [n - j] - \left[A_0 - \sum_{j=1}^{n} \left\{\frac{a_0}{I_0}\left[I_0 - \frac{\Delta I}{l} j\right]\right\}\right]} \; \ldots\ldots (\mathbf{8b})$$

$$\boldsymbol{<=> P_i = \frac{rn(\rho - 1)}{2\rho m}[n - 1] - \left\{A_0 - \frac{n a_0}{I_0}\left[I_0 - \frac{\Delta I(n+1)}{2l}\right]\right\}} \ldots (\mathbf{8c})$$

Remember that Σj is just an arithmetic progression. The sum of the first **n** terms is given by

S_n= [½]n(n+1). This is all we shall need in the case where there is linear depreciation, and the revenue is constant. It is important to note that were these not to be the case, we could need to compute the sum of the squares or the cubes of natural numbers. We have shown in the appendix B how this can be done. Equation (7c) shows the user's share of revenue (**Q_j**). We shall now derive an expression for the sum of **Q_j**. This could be used in advance to consider insurance premiums, the feasibility of certain clauses concerning expenses.

$$S_u = \sum_{j=1}^{n} Q_j = \frac{r(\rho-1)}{\rho m} \sum_{j=1}^{n} \left[j - n + \frac{\rho m}{(\rho-1)} \right]$$

Evaluating the sums and simplifying yields.

$$S_u = \sum_{j=1}^{n} Q_j = \frac{rn(\rho-1)}{2\rho m} \left[1 - n + \frac{2\rho m}{(\rho-1)} \right] \ldots\ldots\ldots (8d)$$

Before looking at some examples, let us remind ourselves the equations we shall need to handle the various practical cases.

- We need to know the value of the share, so that the user can prepare for purchase and the investor can know what to expect. This we can get from **equations (3) and (5).**
- The current value of the whole initiative **I_j,** can be obtained from equations (**3a)**. In general by multiplying the share value **a_j** by the number of shares **m**. I.e. **$I_j = m\ a_j$.**

- The number of share purchases required to compensate the investor $\mathbf{n = A_0/a_0}$.
- The number of shares each party has and the fraction of the business each party owns $\mathbf{w_j}$, $\mathbf{y_j}$, $\boldsymbol{\beta_j}$ and $\mathbf{z_j}$, can be obtained using equations **(6a**), and (**6b**).
- The part of the revenue going to the investor and user respectively, $\mathbf{R_j}$ and $\mathbf{Q_j}$ can be obtained using equation (**7a**) and (**7b**).
- The investors profit or forecasted profit $\mathbf{P_i}$ and the accumulated amount of the users share of the revenue $\mathbf{S_u}$ can be obtained from equation (**8a**) and (**8b**).

Now let us look at a few examples. We shall consider three examples. The first example consists of an investor who invests to buy a motorbike, to be run by a finance user in a diminishing Musharakah. The finance user, who initially brings no financial contribution, makes a second contract to buy the shares of the business from what he earns from working with the bike, and any other sources, until the finance provider no longer has any shares in the business. The second example concerns buying a lorry, and the third example concerns a small production unit of dough nuts. We shall describe the contours of the second and third examples in due course insha Allah.

In order to further initiate the reader into the use of Islamic money, we shall alongside the franc CFA and the dollar, introduce a column of Islamic dinar in the table of financial figures. Remember that 1 Islamic dinar is 4.25 grams of 22 karat gold. Let us then define the centi-dinar as one hundredth of a Dinar. The gold merchants here in Douala have a buying price and a selling price which is higher than the buying price. We shall use the selling price to convert paper money to gold. This is

conservative as more paper money is required. On the 17th November 2011, the selling price of 22 karat gold here in Douala was 24,000 franc CFA ($48) per gram. And the buying price was 22,000 francs CFA ($44) per gram. This selling price will be used to fix a conversion rate in dinars and centi-dinars between the franc CFA and the gold Dinar. Although 18 karat gold is more abundant around here, we use 22 karat because it is the standard used to define the Islamic gold dinar. So our figures and transactions will already be able to connect us to Muslims all over the world. The Dirham will be left out of the matter for the time being. Since the investment outlay has been used to purchase an asset or a group of assets, the value of the business depends of what happens to the assets. So payments can be in paper money following the conversion rate of the dinar at each instalment. However just to illustrate how diminishing Musharakah works we shall us paper money in these examples. You are strongly advised though not to do so in a real contract. Use Islamic money instead. It is safer.

Chapter four exercises:

A group of Muslims formed an association called camel and needle parable association (**CaNPA**). **CaNPA** is made up of fifty members who contributed equal amounts to set up the capital. The capital was immediately converted to Islamic money on the 1st of Muharram 1435 AH. The conversion was done at the rate of 20.000 XAF per gram of 22 Karat gold. Before collecting the funds, they had decided to finance three projects (**a, b**, and **c**). The first two projects **a** and **b** were diminishing Musharakah and the project **c** was to be a Mudarabah of 30% profit for the finance providers, and 70% profit for the finance users. The projects were the following.

a) Ten Muslims pooled together to run a motorbike taxi business running ten motobikes financed by the **CaNPA** as a diminishing Musharakah. The finance users brought no initial financial contribution. The initial cost of each bike including the cost of documents, initial fuel reserves, pocket money for the rider and a launching diner was 555 thousand francs CFA. If the initial cost of a share of ownership of each motorbike is to be 15 thousand francs CFA,

Question (i) how many shares does each bike have? The finance providers and users agree that the weekly rent for the motorbike is to be 12.5 thousand francs CFA and that the bikes will be linearly depreciated to a scrap value of 50 thousand francs CFA in 3 years (=156 weeks),

Question (ii) how many weekly share purchases will have to be made before the bike becomes the property of the finance user?

Question (iii) what is the cost of the 36^{th} share? That is the value of a share during the purchase of shares of the 36^{th} instalment. The bike riders agree that their share of the rents should be divided into 5 parts. One part to help meet their share of expenses, the 2^{nd} as an insurance premium to treat any of them who falls ill, and guarantee the rent and share purchase during his illness if the emergency rider taken for the occasion turns out to be dishonest. 3^{rd} as a contribution to help any of the mosque workers in case of illness, 4^{th} to distribute Islamic books and materials and finance hospital visits and 5^{th} for the rider himself.

Question (iv) How much money in total was available for the treatment of the mosque workers from the ten riders.

Question (v) How much profit did **CaNPA** make from the ten bikes at the end, assuming there were no expenses.

b) **CaNPA** financed a Muslim who opened a provision store, as a diminishing Musharakah. The finance user brought **495,000** and **CaNPA** brought **1,005,000** making a total of **1500,000**. This was divided into **m** shares of **15,000** each. **Question (i)** what is the value of **m**? The user is to purchase shares two times a week or approximately every three days.

Question (ii) How many instalments of share purchase are required to own the shop?.

Question (iii) If the average half a week's profit from the shop is **60,000** Francs CFA. What is the user's average monthly revenue? (Take a month to be exactly four weeks.)

Question (iv) what is the net profit on the investment of **CaNPA**?

c) **CaNPA** invests 10 million on a project to plant, harvest and transform chilli as a **Mudarabah** of **30 %** for the investor. The average total annual revenue for this investment is **20 million francs**, The total annual expenses is **7.5 million**. what is **CaNPA** 's share of the profits?

Chapter five

Introducing the concept of Islamic money:

Abu Bakr ibn Abi Maryam reported that he heard the Messenger of Allah,(SAW) say:" A time is certainly coming over mankind in which there will be nothing (left) which will be of use save a dinar and a dirham." [The Musnad of Imam Ahmad ibn Hanbal]

What are the Dinar & Dirham

The Islamic Dinar is a specific weight of 22k gold equivalent to 4.25 grams.

The Islamic Dirham is a specific weight of pure silver equivalent to 2.975 grams.

According to Islamic Law...

The Islamic Dinar is a specific weight of 22k gold (917.) equivalent to 4.25 grams.

The Islamic Dirham is a specific weight of pure silver equivalent to 3.0 grams.

In the Qur'an surat al-Imran verse 75, Allah (swt) warns us against the danger of entrusting our wealth with non Muslims (people of the book) Here is what He says: (QS3. Ali 'Imran ayat 75)

۞ وَمِنۡ أَهۡلِ ٱلۡكِتَٰبِ مَنۡ إِن تَأۡمَنۡهُ بِقِنطَارٖ يُؤَدِّهِۦٓ إِلَيۡكَ وَمِنۡهُم مَّنۡ إِن تَأۡمَنۡهُ بِدِينَارٖ لَّا يُؤَدِّهِۦٓ إِلَيۡكَ إِلَّا مَا دُمۡتَ عَلَيۡهِ قَآئِمٗاۚ ذَٰلِكَ بِأَنَّهُمۡ قَالُواْ لَيۡسَ عَلَيۡنَا فِي ٱلۡأُمِّيِّـۧنَ سَبِيلٞ وَيَقُولُونَ عَلَى ٱللَّهِ ٱلۡكَذِبَ وَهُمۡ يَعۡلَمُونَ ٧٥

75. among the people of the Scripture (Jews and Christians) is He Who, if entrusted with a Qintar (a great amount of wealth, etc.), will readily pay it back; and among them there is He Who, if entrusted with a single gold coin, will not repay it unless You constantly stand demanding, because they say: "There is no blame on us to betray and take the properties of the illiterates (Muslims and others not one of them)." but they tell a lie against Allâh while they know it.

The thing to note here is the double standards with which world affairs are usually run by the west. (Meaning Europe and North America). The compensation paid when a poor African falls fighting for France, or as part of the united nation troops somewhere compared to what is done when it turns out to be a westerner clearly shows this duplicity in treatment. They knock the heads of Africans leading to **millions of lives lost, just to be**

able to reorganise the political scene to their advantage. E.g. Congo, Ivory coast and many more.

Allah (swt) tells us in the preceding verse that those non Muslims think that it is not a sin for them to eat up the properties of others who are not one of them. Now you understand how and why they colonised a large part of the world and took whatever they wanted without any feeling of guilt. Would you hesitate if you went into the forest and saw a piece of diamond which you wanted; if you were told it belongs to a certain monkey or gorilla?
Picture courtesy of stock photos. **Fig ()**

That is how they see the properties of those who are not one of them. Up till today they are still stealing from others not only directly by using their military to install puppet governments

whose members are more concerned about their stomachs than the well being of their own people. They are using fiat paper money to steal the efforts of most of the world. Notice how they always arrange for their own papers to be given far more value than those of the rest of mankind. Paper money is only a promise to pay. This promise is binding on he who printed the paper money. By keeping our savings in fiat paper currency, we are entrusting our wealth with those who printed the fiat currency. Now we understand why we keep losing, and only the west seems to be having material progress. The theft is so thorough that Africa with the largest amount of real wealth is inhabited by the world's poorest people. I is important that we clarify that the bad guys are not the ordinary person on the street in New york or London. The bad guys are the one percent of the world population which controls sixty percent of the world's total wealth. So what is money in islam? Allah (swt) mentions money in the Quran as Dinar (meaning the gold coin), and Dirham (meaning the silver coin). The following ar the verses.

۞ وَمِنۡ أَهۡلِ ٱلۡكِتَٰبِ مَنۡ إِن تَأۡمَنۡهُ بِقِنطَارٖ يُؤَدِّهِۦٓ إِلَيۡكَ وَمِنۡهُم مَّنۡ إِن
تَأۡمَنۡهُ بِدِينَارٖ لَّا يُؤَدِّهِۦٓ إِلَيۡكَ إِلَّا مَا دُمۡتَ عَلَيۡهِ قَآئِمٗاۚ ذَٰلِكَ بِأَنَّهُمۡ قَالُواْ
لَيۡسَ عَلَيۡنَا فِي ٱلۡأُمِّيِّـۧنَ سَبِيلٞ وَيَقُولُونَ عَلَى ٱللَّهِ ٱلۡكَذِبَ وَهُمۡ
يَعۡلَمُونَ ٧٥

75. among the people of the Book are some who, if entrusted with a hoard of gold, will (readily) pay it back; others, who, if entrusted with a single silver coin, will not repay it unless Thou constantly stoodest demanding, because, They say, "There is no call on us (to keep Faith) with these ignorant (Pagans)." but They Tell a lie against Allah, and (well) They know it. [Q3:75]

وَشَرَوْهُ بِثَمَنٍۭ بَخْسٍ دَرَٰهِمَ مَعْدُودَةٍ وَكَانُوا۟ فِيهِ مِنَ ٱلزَّٰهِدِينَ ﴿٢٠﴾

20. the (Brethren) sold Him for a miserable price, for a few dirham counted out: In such low estimation did They hold Him!

In many other places in the Quran Allah (swt) mentions riches in the form or gold. In the hadith quoted in previous chapters where the prophet Mohammed (saw) fixed the rule for the exchange of commodities which were used as a means of exchange in the market (namely wheat, barley, dates, salt etc) we understand that Islamic money must have intrinsic value, have a reasonable conservation period, be found within the creation of Allah(swt). Here are some Quranic verses in which wealth is mentioned in the form of gold.

Q3:14, Q3:91, Q4:20, Q43:33-35, Q43:53, Q43:71, Q9:34, Q76:21 just to mention a few examples.

So Islamic money is always a commodity with intrinsic value, it is from the creation of Allah(swt), it is stable with a long shelf life, it's value is determined by the almighty not government laws and

it must be clearly measured in terms of weight, purity and/or volume.

What can we do with Islamic money? Islamic Dinars can be used to save because they are wealth by themselves. They cannot be devalued at will by any government; they cannot be printed at almost no cost to create what they sometimes deceitfully call quantitative easing instead of calling it what it really is i.e. the theft of people's money in broad daylight. The fiat papers will still be with you, but their value is gone to those who can print as much as they like. I gather president Obama has printed more than nine trillion dollars. They had to raise the ceiling for him.

The Islamic dinar can be used to pay zakat and dowry because they are known in Islamic law. **Shaykh Muhammad Alish (1802-1881), the great Maliki Qadi, said that if you were to pay zakat with paper-money only its value as merchandise ('ayn), that is, its value as paper can be accepted. Therefore, its nominal value is irrelevant as payment of zakat.** Some of the tribes here in Africa who have been Muslim for a long time have a custom in which the dowry is given in the form of gold and silver coins into which holes are made for her to put a rope through and hang the coins around her neck. Later on in her marriage life she can sell them to invest in whatever she likes. Such things must be encouraged and not considered to be archaic.

The Islamic gold dinar can be used to buy and sell, since they constitute a legitimate medium of exchange. They lead to a monetary system which is free from inflation and volatility. For example a chicken in the market of Medina in the time of the prophet (SAW) cost one dirham. One year ago when someone

was announcing the aqiqa of his newly born child in my mosque, when Allah (swt) blessed him with a child, I explained how the sunnah recommends that on the seventh day he should shave the child's head and give it's equivalent weight in gold (but you can't afford in gold then in silver) to charity. A jeweller in the mosque gave me the cost of those two metals here in Douala then. He said silver then cost 600 francs CFA per gram ($1.2). At this price one dirham will be worth 1800 francs CFA ($3.6). With this in our local markets even today one can buy a chicken. Paper assets like bonds, shares and bank deposits are promises to repay money borrowed. The Mexican peso and the different financial crises have shown that these soon loses value. Gold is independent of financial system. It is backed by more than five thousand years of human experience. Up to the Ottoman period, zakat in paper money was not allowed. The former Malaysian prime minister (Dr Mahathir Mohammad) in an inaugural speech on the gold dinar convention in the year 2003, supported the gold dinar. OIC countries are encouraged to use it as a medium of exchange, through an alternative **B**ilateral **P**ayment **A**rrangement mechanism. **(BPA),** with cooperation from central banks.

I checked with www.e-nisab.com for the current prices of gold and silver as well as the gold and silver nisab, the exchange rate between the us dollar and the franc CFA. This was on Sunday 10th November 2013. Using 22 karat gold we have A gold nisab of 1,729,831.567 XAF. Since the nisab is for 20 Dinars, it follows that the weight of the gold nisab is 4.25 X 20 = 85 grams. So on this day the unit cost of gold was 20,350.98 XAF per gram. Similarly, the silver nisab was 202,214.604 XAF. The silver nisab is 200 Dirham which is equivalent to 600 grams. So the cost of

silver is 337.024 XAF. Just for completeness sake, the cost of 24k gold on the same day was 22,006.10 XAF per gram.

Private companies are also active in promoting the use of the gold dinar. They offer services such as minting of coins, electronic savings and transfer. E.g. the Royal Mint of Malaysia, IGD (Islamic gold dinar exchange) and E-dinar Ltd. Why is the IMF against the gold dinar? I am sure we all know the answer to that. The gold dinar will eliminate speculation, curb greed, prevent wealth accumulation, discipline the corporate society and reduce dependence on debt. Money supply will have more harmony with real sector. We will have a just and fare monetary system which offers a level playing field for everyone in society. A major problem though will be to succeed in taking away the freedom to print from those who now control and benefit from the printing and use of fiat currency. They will surely not agree to lose such an advantage. Besides the political system in most places in the world (west to east, north to south) is well greased by the current system, and will definitely not want to see it disappear. The takeover then must be a slow process in order to avoid bloodshed. Muslims can start by using the dinar to trade with each other. You can join the dinar shop movement. Visit www.dinarshops.com and register, and start accepting payment in Islamic dinar.

If we use the price of gold (22 Karat) here in Douala on the 17th of November 2011 as a base, we can fix the value of the dinar we shall use in this book. But whenever you want to write a contract, find out the cost of 22 karat gold in your country or your area. And if your contract or investment has an international appeal, then use the value of gold of 22 karat in the world market. The price of 22 karat gold here in Douala was 24,000

francs CFA ($48) per gram. So the value of the Islamic gold dinar locally is given by $\boldsymbol{Đ1 \equiv 4.25\ X\ 24{,}000 = 102{,}000\ francs\ CFA}$ **.** **O**ne dinar cent would be worth **1,020 francs CFA ($2)**. It appears that even the dinar cent will not be small enough to handle the small change. We could use the dirham here. However since it is a different commodity, the number of dirhams to replace one dinar will fluctuate with time. Attempting to fix that like Umar ibn al Khatab tried might only complicate matters for a new currency whose behaviour people are still trying to understand. I think the calculations should be done in local currency and the sums and other results converted into dinars and dinar cents. The dinar cent to three decimal places should be enough to handle the small change. Let us now continue with example 1.

See what bikes do in Africa **Figure (3)**

Example 1: An investor decides to join with a partner to run a motorbike taxi business as a diminishing Musharakah. He has then according to sharia, to draft two contracts which must be independent. They consist of a leasing contract **and a share sales contract. To guarantee independence, the share sales are either valued by an independent body or the investor is free to propose the shares to any other potential buyer. However for a venture which contains a single collection of depreciating assets, the user is not facing a very strong risk of external takeover.**

In order to make the example of practical relevance, we shall consider the extreme case where the user comes just with goodwill and does not financially contribute in the initial investment. By incorporating depreciation in the calculation, the independent body or the other potential buyers will find that there are no surprises. The main interested person in the business then is most likely to be the initial finance user himself. The following table describes the various facets of this example. The figures are in thousands of CFA francs, Dinars and dinar cents, US dollars and Naira. For those who will have the electronic version of the book, an excel table will be appended with which you could add as many columns as you like to show other currencies. In sha Allah. You will eventually be able to download this table from the website: www.ngubong-engineering.biz.nf or www.ngubong-engineering.12r.org. May Allah (swt) accept the effort. Ameen.

Designation of the use of the finance	CFA	Di nar	cents	Naira	US $
The cost of the motorbike	480	4	70.582	154.991	0.98271
The cost of various documents.	25	0	24.5098	8.07247	0.05118
Initial fuel supply.	05	0	4.902	1.61449	0.01024
Gathering of friends and family, meal and dua.	05	0	4.902	1.61449	0.01024
Pocket money for finance user.	03	o	2.941	.068696	0.00614
Total initial investment outlay. ($I_0=A_0$)	518	5	7.431	1.61449	1.06051
Initial value of a share ($_{A0}\div n=a_0$)	**14**		13.725	4.52058	0.02867
The total number of instalments to purchase shares ($A_0\div a_0=n=37$)					
The period of depreciation is 3 years (156 weeks) with a scrab value of	**50**	0	49.0196	16.14493	0.10236

The depreciable value ($\Delta I=I_0-I_l$) is	**468**	4	58.824	151.1166	0.95814
Motorbike lease amount every 7 or 10 days (r)	**12.5**	0	12.2549	4.063233	0.02559

On 10-Nov-2013 the conversion rates were $1=488.445 XAF, 1 Naira = 3.096947 XAF. These were the rates used.

The first thing we work out is the share purchasing prices which take linear depreciation into account. We find this in equation (5b). Thus:

$$\boldsymbol{a_j = \frac{a_0}{I_0}\left[I_0 - \frac{\Delta I}{L}j\right] = \frac{14}{518}[518 - 3j] =}$$
$$\boldsymbol{14 - 0.08108108j} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (5b) \text{ where } \Delta \boldsymbol{I} = \boldsymbol{I_0} - \boldsymbol{I_l}\ \boldsymbol{and}\ \boldsymbol{L}\ \textit{is the}\ \text{№}\ \textit{of intervals to scrap.}$$

As an example $\mathbf{a_{37} = 11}$. From here all the 37 installments can be calculated. The corresponding value of the asset $\mathbf{I_j}$ can be obtained from $\mathbf{a_j}$ just by multiplying by **n = 37**. Each installment is **0.081081** less than the previous one. This can also be a simplifying factor to smooth the daily running of the business, and to give the finance provider a feel of how things are going.

Next we use equations (7) to calculate $\mathbf{R_j}$ and $\mathbf{Q_j}$. Remembering that **ρ=5, n=m=37** we get:

$$\boldsymbol{R_j = \left[\frac{(\rho - 1)}{\rho m}\right][(n - j)]r = r\frac{4}{5(37)}[37 - j]} \ldots\ldots (7e)$$

Similarly for Q, we have

$$\boldsymbol{Q_j = \left[\frac{(\rho-1)}{\rho m}\right]\left[j - n + \frac{\rho m}{(\rho-1)}\right] r = \frac{4}{5(37)}\left[j - 37 + \frac{4(37)}{5}\right] r} \text{..(7f)}$$

So at every instalment, the investor expects to receive $\mathbf{R_j + a_j}$. If there is no intention to use the user's share, the user may give just that. However, in my humble opinion, it is better for the user to provide the full revenue and collect his share at the end. It will make it easy for him to start planning how he intends to replace the assets.

Finally the investors profit **(P_i)** and the user's saving **(S_u)** can be calculated using equations (8c) and (8d) as follows.

$$\boldsymbol{P_i = \frac{rn(\rho-1)}{2\rho m}[n-1] - \left\{A_0 - \frac{na_0}{I_0}\left[I_0 - \frac{\Delta I(n+1)}{2l}\right]\right\} \ldots\ldots (8c)}$$

On substituting the values of the variables, this yields

$$\boldsymbol{P_i = r(14.4) - 57} \text{ ... ...} \boldsymbol{(9a)}$$

By substituting **r = 12.5**, we get a profit (**P**) for the investor of **123 thousand** CFA francs.

Now to get the users savings (S), we can use equation (8d) as follows

$$\boldsymbol{S_u = \sum_{j=1}^{n} Q_j = \frac{rn(\rho-1)}{2\rho m}\left[1 - n + \frac{2\rho m}{(\rho-1)}\right] \ldots\ldots (8d)}$$

On substituting the different values into (8d) above and simplifying we get.

$\boldsymbol{S_u = \frac{2}{3}r[56.5] = 22.6r}$ **S**o if **r = 12.5** then **S = 282.5 thousand francs CFA**.

To cross check our results, we know from equation (7c) (remembering that **r** is constant) that

$$\boldsymbol{R_j + Q_j = r \Rightarrow \sum_{k=1}^{k=n} R_k + \sum_{k=1}^{k=n} Q_k = nr \Rightarrow \sum_{k=1}^{k=n} Q_k = nr - \sum_{k=1}^{k=n} R_k}$$
$$\boldsymbol{= (37 - 14)r = 22.6r}$$

We see that after substituting for the sum of $\mathbf{R_k}$, we get the same expression for $\mathbf{S_u}$.

We are now going to go on to the next example. This will be the purchase of trucks to be used to convey goods from one city to another, from one region to another and from one country to another. This requires a much bigger investment outlay, so there are many more Muslims who get involved with riba in order to find the funds to purchase a truck. The temptation for conventional banks to use the false or disguised riba to finance this activity is very high. Thank Allah (swt) they are blind to that up till now. We hope that before they see that opening, the Muslims would have closed it.

Figure (4): A typical Truck with multiple carriages. In Africa unlike Australia, the carriages are usually limited to one.

Example 2: In this example we shall be considering a lorry which we will depreciate in 15 years by linear depreciation to a scrap value of 8 tons of scrap metal worth 125X8000 =1.0 million francs CFA here in Douala. In this case, the user brings part of the funds. No need to rewrite all the equations again. We shall just put the simplified results after substitution in sha Allah

You can always go back to to relevant equations in order to understand how the results came about. The figures in the table below are in millions of francs CFA (XAF), Naira and thousands of US dollars. The Dinars are expressed as Dinars and dinar cents called cents.

Designation of the use of the finance	XAF	Dinar	cents	Naira	US $
Cost of the lorry	90	882	35.295	29.061	184.258
Cost of the carriage and other fixtures	20	196	7.8431	6.4579	40.9462
Amount brought by the user	40	392	15.686	12.915	81.8925
Amount brought by the finance provider	70	686	27.451	22.603	143.3119
Total initial investment (I_0)	110	1,078	43.137	35.519	225.2044
Initial Monthly share purchase (a_0)	2	19	60.784	0.6458	4.094627
Monthly rent of lorry (user provides fuel) (r)	1	9	80.392	0.3229	2.047313

Designation of other parameters	**Values**	Designation of other parameters	**Values**
The total number of shares ($m= I_0/a_0$)	**55**	The scrap value I_l	**1.0**
Initial № of investors shares ($n=A_0/a_0$)	**35**	№ of instalments to scrap **I=15*12**	**180**
The profit sharing factor (ρ)	**5**	The depreciable value **(ΔI)**=110-1	**109**

The initial outlay is divided into **m=55** shares of **2 million XAF each**. The investor owns **n=35** shares, and the user brings **m-**

n=**20** shares. The scrap value is **1 million XAF**. So **ΔL** = 110-1=**109**. Equation 5b yields:

$$\boldsymbol{a_j = \frac{2}{110}\left[110 - \frac{109}{180}j\right] = 2 - 0.011010101j} \ldots\ldots\ldots\ldots (\boldsymbol{10a})$$

As an example a_{35} =1.611815. We can thus tabulate all the 35 instalments. A practical tool is to subtract 0.011010101 from the previous instalment. That is about 11,010 XAF.

The total value of the venture can be obtained from **a** above just by multiplying $\mathbf{a_j}$ by the total number of shares **m**, which in this case is 55. Equations 6a and 6b can be used to show the number of shares each partner owns and what fraction of the total number each partner owns as follows.

$$\boldsymbol{w_j = w_0 - j = n - j = 35 - j \; and \; y_j = y_0 + j = m - n + j = 20 + j} \ldots\ldots \boldsymbol{from} \; (\boldsymbol{6a})$$

$$\boldsymbol{\beta_j = \frac{(n-j)}{m} = \frac{(35-j)}{55} \; and \; z_j = \frac{(20+j)}{m}} \ldots\ldots\ldots\ldots \boldsymbol{from} \; (\boldsymbol{6b})$$

The share of the revenue going to the investor**(R_j)** and user **(Q_j)** respectively can be obtained using equations (**7a)** and (**7b**) as follows.

$$\boldsymbol{R_j = \frac{r}{55}\left[\frac{4}{5}\right](35 - j)}$$

$$\boldsymbol{and \; Q_j = \frac{r}{55}\left[\frac{4}{5}\right]\left[j - 35 + \frac{5}{4}(55)\right]} \ldots\ldots\ldots \boldsymbol{from} \; (\boldsymbol{7a})\& \; (\boldsymbol{7b})$$

At each instalment, it will be known what the investor has and what should be put into the user's account. We can now use

equations (8a and b) to calculate the investor's profit and the user's savings. After simplifying we get

$$P_i = 13.6r - 6.98733$$

$$and\ S_u = nr - \sum R_j = 21.4r\ since\ \sum R_j = 13.6r$$

So for r = 1, P =6.61267 million equivalent to **183,685 franc CFA/month** over the 35 month period.

If we choose **r = 1.5, => P =13.41267 million equivalent to 372000 franc CFA/ month**. And the user has **21.4 million francs CFA** from which all the insurance and repair guarantees can be arranged.

NB These calculations have been done mindful of the guidelines of **AAOIFI**. This abbreviation stands for **A**ccounting and **A**uditing **O**rganisation for **I**slamic **Fi**nance. They are a major player in the world of Islamic finance. Please check them out at www.aaoifi.com.

Example 3: (The doughnut project.) This is about a Muslim woman who wishes to produce doughnuts for sale in front of her house. It is a good model which can be used to eradicate poverty within the Muslim community. Following the advice of the consultant, she was asked to list all what she was bringing into the business and their estimated purchasing prices. This move helps filter out those who may be tempted to ask for financing with the hidden intention of using the money for something else. For completeness sake, the items are listed on the table below. Only the total value is converted to Islamic Dinar. The figures are in thousands of XAF.

Production materials.	cost	*	Production materials.	cost
Table and benches	15	*	Buckets	1.5
Porridge thermos flask	7	*	Washing up basin	1
Frying pan	4	*	Some dishes	2
Perforated frying spoon	1	*	Water bottle	0.5
Plates (at least 1 dozen)	3	*	Some handkerchiefs to wipe hands	0.3
Spoons and forks	2	*	Some brooms	0.2
Pots	6	*	A sheet of plywood	3.5
Charcoal stove	2	*	Adjusting cash.=> **m** & **n** = Integer	0.3
Total value of finance user's contribution.				49.5
Total value above contribution in Islamic Dinar.				0.485294

The needs to be bought with money from the investor are listed below. Under certain circumstances, the investor may buy these and hand over to the user in case the investor doubts the user's ability to use the investment wisely. The investor may also if he likes, stipulate in the contract that the purchases of the production tools are to be done by a third party such as the consultant supervising the venture. These are all possibilities which can prevent abuse and moral hazard, which is a major obstacle to project financing these days. As before, the figures below are all in thousands of XAF.

Production materials.	cost	*	Production materials.	cost
Refined cooking oil (20 litres)	22	*	Flavours (artificial and natural)	2

A 50 kg bag of wheat flour	20	*	Grinding of maize at the machine	1.5
A bag of charcoal	7	*	Yeast for dough nuts	1
1 Charcoal stove (average size)	5	*	Other ingredients	2
Powdered sugar (20 kg)	13	*	Onions, garlic and others	2
Beans (One 15 litre bucket)	7	*	Transport	2.5
Stock cube (Cray fish flavour)	1.5	*	Plastic rapping	1.5
Stock cube (star brand)	1	*	Unforeseen expenses	1.5
Salt	0.5	*	Some initial cash in hand	3.5
Maize for porridge production	5	*		
Total value of investor's contribution.			*	100.5
Total value of investor's contribution in Islamic Dinar.			*	0.985294

In the first two examples which were asset based, the revenue was relatively easy to specify, as supply and demand usually establish a pretty much standard rate for the rental of different assets in any society. These rates are usually widely known. However the third example is a case of production. In this case the revenue is difficult to predict. In this case there has to be an independent controller or controlling body to evaluate the cost of the shares at every instalment. Or the share sales should be open to the public. This last option requires of course that the financial documents such as balance sheet, income statement,

the partnership contract etc must be available to the public. The percentage of revenue or profits which could be reinvested into the business must be specified in the contract.

We shall now carry out a cash flow analysis in order to estimate the possible future earnings. This is to enable the parties concerned to be able to know what to expect, and for the user to be judged on his performance. In order to be able to do this I bought one kilogram of wheat flour and my wife made dough nuts. I pray that Allah (swt) reward her for her efforts. From this I was able to work out the quantities of raw material input for a particular quantity of flour. In the test I kg of wheat produced dough nut worth 2,200 XAF, despite the fact that the sizes were way above what one can see around town. That makes the estimates conservative. That is we should try to err on the safe side. On that basis, the following table shows the raw material and other expenses for an estimated production rate of 2.5 kg of flour per day. No overhead charges were considered. 2.5 kg per day was the output of a case I knew not an estimate.

Raw material Or expense	Quantity	Price XAF	Raw material Or expense	Quantity	Price XAF
Wheat flour	2.5 kg	1000	Transport	To carry mat	400
Refined veg. Oil	1 litre	1000	Communication	With suppliers	250
Sugar for doughnut	0.75 kg	525	Labour aid	One	250
Yeast	1 sachet	100	Supervisor fee	Per day	250

Beans	1 bucket	500	**Total (raw materi**	**& expenses**	**5700**
Fresh spices	Some	100	**Sales Revenue:**	Amount	
Stock cube	A few	100	Doughnuts	5500	
Charcoal	Some	500	Beans	1500	
Porridge	Some	300	Porridge	1500	
Sugar for porridge	0.5 kg	325	**Total revenue**		**8500**
Flavours	some	200	Estimated daily	Profit=	**2800**

In a situation in which a large number of projects are being financed, the supervisor could supervise about twenty projects for a fee of 3500 XAF per day. This will make his cost per project to be considerably lower (175 francs per day). If the above production is done six days a week, i.e. everyday except Friday, the monthly profits (**P**) will be given by.

$\boldsymbol{P = (30 - 4) * (8500 - 5700) = 72800\ XAF}$ **This** represents a three day profit of **7280 XAF.** So the shares could be exchanged every three days or two shares exchanged at the end of every week between the different actors. The two possibilities amount to the same thing. We shall call the estimated revenue for a three day period $\mathbf{r_e}$. The table below shows the specifics of this example using the same symbols as with the first two examples. The figures are in thousands of XAF. The total investment outlay has been divided into 100 shares of 1.5 thousand XAF each.

Description and	**Value**	**Description and**	**Value**

symbol.		symbol.	
Amount brought by user U_0	49.5	Total number of shares **m=I/a**	100
Amount brought by investor A_0	100.5	Total initial investor shares **A/a=n**	67
Total investment outlay I_0	150	Total initial user shares **m-n**	33

The total number of instalments required to buy all the investor's shares is 67 instalments (or three day periods). Since the schedule is to operate 6 days a week, this represents 67/2 weeks. That is 33 ½ or 34 weeks. The user can own the business if all goes according to plan within eight months and two weeks. It is up to the parties to agree whether the user can buy more than one share per instalment. The investor may be concerned about his share of the profit being reduced by too rapid a purchase rate. We should also notice that in the previous examples we had fixed revenue or rent. In this third example however, we can't do that as it is clear that the revenue is bound to fluctuate, even if the user manages to land a contract in which he delivers a fixed quantity of doughnuts to independent sales outlets and is paid in advance. However we shall use estimated revenues based on the cash flow analysis. The supervisor should ensure that the real revenue is used in the calculations not the estimates. We should also realise that **ρ** here may not be a constant. This is because we can share the revenue in a ratio which gives the finance user more than the fraction of the total shares would warrant, but we have to share losses in strict proportion to the distribution of the shares. So in case of a loss, **ρ** is given a large value to remove its effect. Or better still the limit as **ρ** tends to

infinity is taken in any equation where it figures, if this does not complicate the calculations.

The number of shares each party owns and the fraction of the company each party owns ($\mathbf{w_j}$, $\mathbf{y_j}$, $\boldsymbol{\beta_j}$, $\mathbf{z_j}$) can be obtained as before using equations (**6a and b**), while the investor's share of the revenue $\mathbf{R_j}$ and the user's share $\mathbf{Q_j}$ can be obtained using equation (**7a** and **7b**). We can further get the investor's profit ($\mathbf{P_i}$) and the accumulated share of the user's revenue ($\mathbf{S_u}$) by using equations (**8b and 8d**). Applying these we can easily show that

$$\boldsymbol{R_j = \frac{r_e}{125}[n-j] \; and \; P_i = \sum R_j = 17.688 r_e}$$

$$\boldsymbol{Similarly \; S_u = \sum Q_j = 49.31 r_e} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (\mathbf{11a})$$

In order to check the above conclusions we remember that $\mathbf{P_i + S_u = \Sigma r_e = n r_e}$. From above,

$\boldsymbol{P_i + S_u = 49.31 r_e + 17.688 r_e = 67 r_e}$ **Confirming our results as n = 67**

At the end of the payoff period, **r** could be considered as the average revenue throughout the payback period. However in order to be able to estimate the likely profit for the investor and the estimated revenue the finance user hopes to get from the project, we will have to use the revenues calculated from the cash flow analysis.

The profit for a 26 day period and 4 days rest was **72.8 thousand XAF.** So the average estimated revenue per day will **be 72.8/30**. The estimated revenue over a three day period ($\mathbf{r_e}$) will then be $\mathbf{r_e}$ = **72.8÷30 * 3 =7.28** thousand **XAF.** Substituting this value into equation (11a) above yields

P = 128.768 thousand XAF. Not bad for an investment of 100.5 thousand over a period of eight and a half months. This represents monthly revenue of 15.149 thousand XAF. The user's accumulated revenue on the other hand totals 358.9768 thousand XAF which is equivalent to a monthly revenue on average **of 42.233** thousand XAF. We should remember though that the investors share of the revenue decreases with time while the users share increases with time. The user has to be very patient at the beginning.

What we have done for the doughnut production and sale project above can be done for a grocery shop, chemist's shop, ironmonger, tailoring workshop, welding and metal workshop, medical clinic, hospital, school and training centres etc. Etc. May Allah (swt) make Muslims to stop keeping money unused, May He protect all believers from the evil of fiat paper money.

I would like to say a word about the depreciation of the bike in example two in three years. I met with someone in November 2013 here in Douala who had been using his motorbike as a taxi for over three years and he claims he can sell it for over XAF 150 thousand. In any case the bike still looked very new to me. He is called Umaru. Telephone 237 93455299.

One practical case:

This case came up when the exercises of this book were being written. It concerns a young man called Yusuf Salih, who wanted to buy a second motorbike for the same motorbike taxi business he is currently running. Having been satisfied with the current brand name, he wanted another of the same brand. This brand is slightly more expensive than many others. He has not been able to raise the money so far. He needs XAF 395000, but he only

has XAF 335000. So he still needs XAF 60000. The motorbike dealer he approached is a Muslim, although he does not like to be reminded about the ills of riba. He asked our young man to propose the percentage interest he is willing to add if he lent him the remaining amount to buy his bike. This young man asked one of my students who told him that any percentage or fixed amount added on the borrowed amount is riba. He brought him to me and I thought of proposing this diminishing Musharakah to educate the Muslim population.

The proposal of a partnership: This involves an Islamic contract called diminishing Musharakah between Partner one who shall provide most of the financial outlay and who shall use the asset and partner two who shall provide a small part of the financial outlay. All figures below are in XAF.

Name of partner one	**Yusuf Salih**	**Cost of various documents**	**XAF 25000**
Name of partner two		Cost of initial fuel supply	XAF 5000
Partner one's contribution	XAF 335000	Cost of launching party	XAF 5000
Partner two's contribution	XAF 95000	Total initial financial outlay	XAF 430000
Cost of bike	395000	Total number of shares	86
Depreciation period in years	3 (=312 intervals)	Take over period in weeks	10
Scrap value of bike at the end.	XAF 50000	Rent for using bike (1/2 week)	XAF 10000

The finance provider has 19 shares and the finance user has 67 shares of initial value XAF 5000. The share purchase is a separate contract which will have to be signed each time by the

finance provider or his representative. The manager could be authorised to carry it out. The manager if they choose to have one could be paid 1000 francs CFA every half week. It is up to the finance provider to accept quicker payment. The depreciable value in thousands of XAF is= 430-50=380. Every half week then the bike loses 380/312 thousand XAF. Ie 1.218 thousand XAF. And each share loses 14.2 francs

inatalmen	share2	divident	mgr fees	net divid	share val	divident1
1	19	2209.302	220.9302	1988.372	5000	7790.698
2	18	2093.023	209.3023	1883.721	4985.84	7906.977
3	17	1976.744	197.6744	1779.07	4971.68	8023.256
4	16	1860.465	186.0465	1674.419	4957.52	8139.535
5	15	1744.186	174.4186	1569.767	4943.36	8255.814
6	14	1627.907	162.7907	1465.116	4929.2	8372.093
7	13	1511.628	151.1628	1360.465	4915.04	8488.372
8	12	1395.349	139.5349	1255.814	4900.88	8604.651
9	11	1279.07	127.907	1151.163	4886.72	8720.93
10	10	1162.791	116.2791	1046.512	4872.56	8837.209
11	9	1046.512	104.6512	941.8605	4858.4	8953.488
12	8	930.2326	93.02326	837.2093	4844.24	9069.767
13	7	813.9535	81.39535	732.5581	4830.08	9186.047
14	6	697.6744	69.76744	627.907	4815.92	9302.326
15	5	581.3953	58.13953	523.2558	4801.76	9418.605
16	4	465.1163	46.51163	418.6047	4787.6	9534.884
17	3	348.8372	34.88372	313.9535	4773.44	9651.163
18	2	232.5581	23.25581	209.3023	4759.28	9767.442
19	1	116.2791	11.62791	104.6512	4745.12	9883.721
The various totals		22093.02	2209.302	19883.72	92578.64	167907
The net profit to the finance provider =				19671.66		

The net profit is the sum of the shares purchased + his share of the rent – his contribution. I.e. 19672 XAF. The first column is the instalment, col 2 shows investors shares, col 3 his share of rents, col 4 managers fees, col 5 net amount going to investor,

col 6 shows the values of shares and col 7 the user's share of rents.

If you do not have access to excel or any other spread sheet, you can calculate the above results analytically. For a rent of 10000 earmarked for each instalment, and a total of 86 shares, the share of the rents going to the finance provider who started off with 19 shares is given by

$$Q_r = \frac{10000}{86}[19 + 18 + 17 + \cdots \ldots \ldots \ldots \ldots \ldots + 2 + 1] = 22893$$

The total value of the shares purchased is just an arithmetic progression with first term **(a=)** 5000 and common difference **(d=)-**14.16. So the sum of the first n= 19 terms, S_{19} can be obtained as shown below.

$$S_n = \frac{n}{2}[2a + (n-1)d] \Rightarrow S_{19} = \frac{19}{2}[10^4 - (18)(14.16)]$$
$$= 92678.64$$

So the net profit of the finance provider = the sum of his share of the rents + the total value of shares sold – the initial outlay. I.e. $\mathbf{P_r}$ = 22093 + 92678-95000 =19671.

At the end of every instalment, the finance user has to pay out the value of the share plus the finance provider's share of the rent.

Exercises to chapter five:

1) If the Islamic dinar is introduced in Cuba, and there is a temporary shortage of gold and silver coins, what commodity can be used as money?

2) If the Islamic dinar is introduced in Cameroon, and there is a temporary shortage of gold and silver coins, what commodity can be used as money?
3) If the Islamic dinar is introduced in Saudi Arabia, and there is a temporary shortage of gold and silver coins, what commodity can be used as money?
4) If the evil people who are practicing riba in disguise discover that one of the things used by the believers to uncover them is that they make a difference between the spot price and the price when there is to be a delay in the payment, and they now scheme to make a fictitious spot market value equal to the murabahah price. How would you find out their scam?
5) Give some web addresses of organisations offering Islamic money now. Either minting Islamic coins or offering saving or purchases in Islamic money in the world.
6) In your opinion why is the World Bank against nations pegging their currency to gold?
7) Zimbabwe also tried to print her own money and use. This led to excessive inflation on the local currency to the point where people were being paid in diesel and bags of rice or maize. Why could they not do what the United States does so skilfully?

Conclusion:

We have presented an overview of various modes of Islamic finance in brief. We have chosen a particular model namely diminishing Musharakah to illustrate with three examples. The motorbike taxi business was the first example. That should be seen as a model for all investment projects with this financing model which uses a single or homogeneous group of short, medium or long term assets. The example of the truck is the same like the first one with the amount of the investment outlay being the only difference. The third example of a doughnut business typifies a commercial, service or production initiative in which the revenue and other performance related parameters cannot be forecasted with a high degree of precision. Mechanisms for an independent follow up are therefore necessary. We showed how if this mode of project financing were applied on a large scale, it could be the cause by which Allah (swt) alleviates poverty.

Of all the financing modes we discussed, the dangers of disguised riba were highlighted on two of them. One form of Murabahah and one form of Sukuk. I advice you dear reader to be on the lookout though for any new strategy shaytan might inspire in order to blindfold the Muslims and continue to make a lot of them to live on haram without knowing. We tried to show how these could be done without riba. In order to avoid falling into the trap of riba, we advice all Muslims to be careful not to get embroiled with hundreds of rules from the fiqh literature because then it becomes easy to ignore the forest and only focus on a tree. It is also important never to lose sight of the spirit of the law, only focusing on the letter of the law. This process can be facilitated insha Allah (swt) if we bear in mind the synthesis of the

definition of riba by the Ulama of the major schools of Islamic jurisprudence. That is because they have studied the verses and the hadith thoroughly before coining this out. It goes basically like this.

They say that riba can be divided into two categories.

1) Riba an-Nasiah: This they define as **any specified** increase (on the consideration to be given for any good or service, or increase on a good or service for a particular consideration.) as a consequence of a postponement or waiting before payment, or delivery. For instance paying for 100kg of maize now and receiving 150 kg if one is willing to wait six months. Or paying XAF 36 thousand for 100kg of rice to be collected immediately while someone else who accepts or asks to pay for his bag of 100 kg of rice in one year is asked to pays XAF 50 thousand for the same 100 kg of rice. The extra 14 thousand which has been added is as a result of the waiting or postponement of payment. That is riba.
2) Riba al-Fadl: This on the other hand is described as an increase not accompanied by anything. An example could be to exchange 5 buckets of black beans against 4 buckets of red beans. The issue is that because it is the same substance, the quantities must be same**. Abu Said al-Khudary said that the prophet Mohammed said: "Don't sell gold against gold except if the two are of like nature, and don't increase one relative to the other. Don't sell silver against silver except if the two are of like nature, and don't increase one relative to the other. And do not sell that which is available (present) against that which is not available**

(present)". [Bukary, Muslim, Tirmidzi, Nassa-i and the Musnad of Ahmad]. That is the exchanges should be done on the spot market. In general, any commodity which is wide spread and has a shelf life can be used as money and should not be exchanged unequally. In another hadith, **Omar ibn al-Kattab said that the last verse revealed was on riba and the Prophet (saw) left us without explaining it so give up not only riba but also ribah (Everything doubtful). [Ibn Majjah].** Yet in another hadith **Obada ibn al-Samit said that the Prophet Mohammed (saw) said "Gold against gold, silver against silver, wheat against wheat, barley against barley, dates against dates, salt against salt, in equal amounts, of the same nature, from hand to hand (ie spot market). If the foods are different, then sell as you like as long as it is from hand to hand (ie spot market). [Muslim, Tirmidzi|.** These hadiths make the matter very clear. The last one makes it clear that when the goods are different, the quantities could be different, but the transaction would have to take place on the spot market. Does that mean that one cannot buy on credit in Islam? No of course not. In order to better understand the mechanisms involved, let us look at the concept of trade, selling, bargaining, business transactions in more detail.

The marketing world defines marketing as "The process of planning and executing the conception, pricing, promotion and distribution (for sale of course) of ideas, goods and services in order to create exchanges that satisfy individual and organisational needs." So basically trade involves exchanges. No wonder the main centre where this is done is called the stock

exchange. So if a business entity is selling trucks, it means it is in the business of exchanging trucks for another asset usually money (best if it is real Islamic money nowadays). You need the truck and the truck manufacturers and sellers need your money. After the exchange, everyone is happy. It is usually illegal to try to get the truck for nothing, unless the manufacturers or sellers aim higher and go for a currency more valuable than dinars. I am talking about darajats. This is the currency of the hereafter. Then some erroneously say that he gave away the truck for nothing. Do you know any right minded person who would do that? So important is this notion of exchange that Allah (swt) uses it to explain the relationship between this world and the hereafter. Coming to think of it, our whole life here on earth is all about exchanges. Whenever we need something or think we need something, we either get it from the earth if we have the right to that particular part of the earth, or we exchange what we have with what we want. Allah (swt) in surat Tawbah verse 111 and surat Saffat verse 10 to 13- talks of this exchange when He talks of tijarat (bargain, trade, traffic, transaction, commerce). Here are the verses.

(QS9. At Taubah ayat 111)

۞ إِنَّ ٱللَّهَ ٱشۡتَرَىٰ مِنَ ٱلۡمُؤۡمِنِينَ أَنفُسَهُمۡ وَأَمۡوَٰلَهُم بِأَنَّ لَهُمُ
ٱلۡجَنَّةَۚ يُقَٰتِلُونَ فِي سَبِيلِ ٱللَّهِ فَيَقۡتُلُونَ وَيُقۡتَلُونَۖ وَعۡدًا عَلَيۡهِ حَقًّا
فِي ٱلتَّوۡرَىٰةِ وَٱلۡإِنجِيلِ وَٱلۡقُرۡءَانِۚ وَمَنۡ أَوۡفَىٰ بِعَهۡدِهِۦ مِنَ ٱللَّهِۚ

فَٱسۡتَبۡشِرُواْ بِبَيۡعِكُمُ ٱلَّذِي بَايَعۡتُم بِهِۦۚ وَذَٰلِكَ هُوَ ٱلۡفَوۡزُ ٱلۡعَظِيمُ ١١١

[Qs9:111At]

111. Verily, Allâh has of the believers their lives and their properties; for the price that theirs shall be the Paradise. They fight In Allâh's Cause, so they kill (others) and are killed. it is a Promise In Truth which is binding on Him In the Taurât (Torah) and the Injeel (Gospel) and the Qur'ân. and who is truer to his Covenant than Allâh? Then rejoice In the bargain which You have concluded. That is the Supreme success.

Allah (swt) talks about the same exchange in a different way in the following verses of surat as-Saffat verses 10 to 13

(QS61. Ash Shaff ayat 10-13)

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ هَلۡ أَدُلُّكُمۡ عَلَىٰ تِجَٰرَةٖ تُنجِيكُم مِّنۡ عَذَابٍ أَلِيمٖ ١٠

تُؤۡمِنُونَ بِٱللَّهِ وَرَسُولِهِۦ وَتُجَٰهِدُونَ فِي سَبِيلِ ٱللَّهِ بِأَمۡوَٰلِكُمۡ وَأَنفُسِكُمۡۚ

ذَٰلِكُمۡ خَيۡرٞ لَّكُمۡ إِن كُنتُمۡ تَعۡلَمُونَ ١١ يَغۡفِرۡ لَكُمۡ ذُنُوبَكُمۡ وَيُدۡخِلۡكُمۡ جَنَّٰتٖ

تَجۡرِي مِن تَحۡتِهَا ٱلۡأَنۡهَٰرُ وَمَسَٰكِنَ طَيِّبَةٗ فِي جَنَّٰتِ عَدۡنٖۚ ذَٰلِكَ ٱلۡفَوۡزُ

ٱلۡعَظِيمُ ١٢ وَأُخۡرَىٰ تُحِبُّونَهَاۖ نَصۡرٞ مِّنَ ٱللَّهِ وَفَتۡحٞ قَرِيبٞۗ وَبَشِّرِ ٱلۡمُؤۡمِنِينَ

[Qs61:10-13At] ١٣

10. O You who believe! shall I Guide You to a commerce that will save You from a painful torment.

11. that You believe In Allâh and his Messenger (Muhammad Sal-Allaahu 'alayhe Wa Sallam), and that You strive hard and fight In the Cause of Allâh with Your wealth and Your lives, that will be better for you, if You but know!

12. (if You do so) He will forgive You Your sins, and admit You into Gardens under which rivers flow, and pleasant dwelling In Gardens of 'Aden - Eternity ['Adn (Edn) Paradise], that is indeed the great success.

13. and also (He will give you) another (blessing) which You love, help from Allâh (against Your enemies) and a near victory. and give glad tidings (O Muhammad Sal-Allaahu 'alayhe Wa Sallam) to the believers.

In the preceding verses the fact that the concept of trade goes even into the spiritual realm is clear. The word **commerce** or **purchase** is highlighted **in red.** What we have to give is highlighted **in green.** The reward from Allah (swt) is highlighted **in brown**. A detailed explanation would be outside the subject of the current book. Just remember that what we give could be physical such as something material, a service such as fighting physically, emotionally, intellectually etc and other forms of provision. So when you take something which is a tradable item

and you don't pay immediately, someone has to pay for the exchange to be complete. It could be a **riba bank** which gives you the money to pay and you later pay back this money to the bank plus interest, or it could be an "**Islamic bank** or financial institution which pays under a **murabahah** contract for you to pay back this money later plus **interest (usually camouflaged under the term profit)**. Although here they think by replacing the word interest with profit they have nullified the riba. It could also be the **seller himself**. This is how it goes. You need the good he is selling but you don't have money now, and you can't find anyone to give you a **qard hasan**[5] loan. So the seller offers to give you this loan (although this step is usually skipped). You then buy the good and take it away with the promise to pay the trader later. Remember the Prophet said the exchange must be from hand to hand. Now if you pay back exactly the amount the seller lent you in lump sum or in instalments, then there is no riba. The amount the seller lent to you was the cost of the good at the time you bought it. The proof that the trader lent you the money to buy the good can be seen more easily if we assume that the trader himself just has enough money at the end to replace the goods after depletion, because all the profits have been consumed by the trader's needs. If the borrower does not return the money he borrowed to buy the good, then the trader will be short of cash to replenish his stock. He took from his capital and gave the borrower to buy the good with. That is what selling on credit means. The problem is something is added when the trader asks more for a payment later than the spot

[5] **Qard hasan loan: A loan in which the borrower returns exactly the amount borrowed without any addition. (Neither in the form of money, nor goods nor services).**

market price. That is the same as giving the buyer the money to buy from another trader next door, and then coming later to pay the first trader with interest. The riba banks call it interest and the others call it profits. All the same it is something added because of the postponement or delay in payment which is riba.

The way this disguised riba is practiced now, all the riba banks have to do is to create a subsidiary trading company and allocate one room within their office premises to it and then change the names of the same processes they are currently doing. So instead of interest they should talk of profit (in money terms it is the same), instead of loan they should talk of trade or murabahah contract. Can we not see that we are making our religion ridiculous?

The different models of Islamic finance sometimes do not offer 100% of their advantages because there is riba in the system. For instance, using fiat paper currency means that a giver of long term **qard hasan** loan will always lose money because of inflation. We can offset these short comings in the long run by drifting steadily towards Islamic money. Mahamat Kaddafi tried and we must continue after him. **He stored 144 tons of gold** with the aim of launching the **Islamic dinar** and even called two conferences on the subject. Unfortunately the enemies of progress found out too soon and framed him to be slaughtered.

In order to make murabahah legal and not riba any more as some are now doing, we should either buy the subject matter and sell on the spot with a known or unknown profit, or defer the payment to the same amount in the future either as a lump sum or in instalments. To protect ourselves from the loss due to the

deterioration of the purchasing power of fiat paper currency, we should draft the contract in Islamic money.

The idea of sukuk is a good one. Even the examples of the bike, truck and commerce used in this book employed sukuk because the investment outlay was divided into shares. It is only that particular usage we described which is riba. As a matter of fact we should encourage and develop sukuk among Muslims. It could be the only way we could find capital to invest in capital intensive projects.

Islamic banks should ease the pressure on them brought by the bad effects of fiat paper currency by shifting to Islamic money with the help of worldwide organisations such as dinarshops.com, e-denar.com etc. Allah (swt) is declaring war on those who persist in riba. We cannot win against Allah. See Qs2:278-281.

Muslims must watch out before accepting an Islamic finance contract. Don't forget that many Muslim countries still authorise riba based banking within their territory. Practically all of them have got banks working with riba. I don't know of any which has totally banned riba yet. So for many bankers and financial institutions, the switch to riba free banking is more a marketing decision than a decision to comply with the requirements of Allah (swt). They would like to bring in those customers who want to avoid riba as well as those who don't really mind but would prefer to avoid the stigma society places on them because their wealth is dirty due to riba. As we criticise these unscrupulous bankers, they may even set up sales points in future where the credit price is the same like the cash price to further hide their riba. Then you will find that their cash price will be higher than all other normal

sales points around. If it comes don't be fooled. Now that their necks are sticking out more and more and people are asking questions.

You can see examples in my country where people work with riba institutions and find no harm to their faiths Or in Britain where riba banks opened Islamic windows to take care of a particular segment of their customers. They did not do this because they thought riba is bad, so think twice before trusting the models they present to you.

There are still some other people who introduce "Islamic banking" just to score political points. Not because they really believe it when Allah (swt) promises to uphold sadaqat and destroy riba. Q2:276. Sometimes I wonder whether we mean it when we say iyyaka na'budu wa iyyaka nasta-in. (Thee only we worship, and from Thee only we ask for help). How could we say that and be involved in riba when Allah (swt) has promised to uphold sadaqat and destroy Riba?

We must continue to sensitise Muslims to be vigilant. We pray that Allah (swt) accepts our humble effort and washes His Ummat from the stain of riba.

We also call on Muslims to adopt Islamic insurance models because insurance the way it is done now has Gharar (uncertainty imbedded in it), Maisir (gambling imbedded in it), and riba built into it. As always many Muslims including those who have been endowed by Allah (swt) with the means to act are waiting for others to do it. We have become like the banu Isra-il when they told Musa (as) "go you and your Lord and fight, we shall wait here (meaning we shall only come to enjoy the fruits of

your victory). Q5:24. I remember when I preached in the mosque on Islamic insurance for the first time. After the prayer, someone came and asked me where this insurance company was situated. You see everyone is waiting for others to set things up. The result of such an attitude is that time passes and nothing gets done.

We pray that Allah (swt) should put in our hearts the courage and true faith in Him, which will lead us to realise that it is the Islamic form of everything which is the best form of that thing which you can find in the universe.

What has riba done to Africans?

Initially Africans were physically enslaved. Riba had caused the value of human beings to be assessed by material and fictitious criteria like race or skin colour. Africans were used as slaves on their own continent, while others were carried abroad to America, the Caribbean and even Europe. When this form of barbarism and exploitation became exposed enough to tarnish the image of the exploiters, it was changed to a new form, colonialism, during which the peoples cultural identity was destroyed and they were made into photocopies or imitations of Europeans. When the Africans eyes started opening enough for them to see the evil of colonialism and the inherent injustice, it was replaced with political and economic colonialism. Africans were allowed to become head of state only to continue to do what the colonial governors used to do. It was only the colour of the colonial governor's skin which changed. It was no independence at all.

Riba enabled economic slavery to be added to this bad treatment. Those African nations were given loans in fiat paper money for projects which were executed by colonial companies ensuring the immediate return of the funds. As a matter of fact these funds are just moved from one account to another in the colonialist's banks. Meanwhile poor slave countries had to pay huge interests. As a matter of fact the funds never got into the country. (See the book by John Perkins *confessions of an economic hit man")

The bottom line is that fiat worthless paper money was exchanged for the vast natural riches of Africa, thanks to riba. When the communist bloc with their model of state owned enterprises fell, the colonialists took advantage and pushed for the privatisation of the major economic sectors, water, electricity, telecommunications etc. They could now afford to relax the rate of riba payment and even cancel some of it as a gesture of charity because the profits from these enterprises they own, more than compensates for that.

Let us consider one example The mobile telephone sector. The number of digits in Cameroonian telephone numbers was recently increased to eight digits. The two main mobile telephone companies are already using a different first digit. This means that they have already exhausted the number of subscribers they can have with one first digit to identify the company. If telephone numbers had just two digits with the first to identify the telephone operator, then there could be only ten telephone numbers per operator. The second digit can take any value from zero to nine. If the telephone numbers had 3 digits, then for every one of the 10 second digits, the 3rd can take 10 values. (I.e. 0 to 9). That makes a total of 100 (=10^2) numbers. In general then for a

telephone number of **n** digits where the first digit is used to identify the operator, there can be a total of $\mathbf{10^{(n-1)}}$ telephone numbers. In the case of Cameroon then, it means that each of the operators already has more than 10^7 subscribers or 10 million subscribers. With an average expenditure of 10 thousand XAF per month, we can envisage a monthly revenue of 100 billion XAF. Most of this is sucked out and taken abroad. We Africans must change our hearts so that Allah (swt) can change our condition. Taking up arms to kill one another will only give more room for the colonialist to divide and conquer. They will set up this faction against the other. We shall continue to let our precious natural riches to be taken away at give away prices while we barely survive on the riches continent in the world. My dear brother or sister, even if you are not yet Muslim, join the Muslims in fighting against riba. Insha Allah you shall be better off afterwards.

The economic slavery made possible by a world economic order based on riba is worse than physical slavery. In the case of physical slavery, the slave owner only owns the services of the slave. He in turn has to look after the well being of the slave such as food, clothing, shelter and health. In the case of the riba induced economic slavery, the slave himself has to worry about his well being such as his food, clothing, shelter and health. On top of that his talents, services, natural resources are given to the slave master. This is because they use those to pay tribute to the slave master (in the form of interests, taxes etc, as well as consumption patterns induced by soft power or cultural influence and domination.) As the years pass by, the slave master grows materially, intellectually, and lives comfortably while the slaves

barely scratches a living. The slave permanently lives from hand to mouth on the verge of extinction. Many of the slaves actually die from poverty related causes. The manipulation of prices made possible by FIAT money means that the goods and services of the slave are usually undervalued. The slave is further brain washed into thinking that a successful life means consuming the products of the slave master and imitating the life style projected through weapons of mass deception such as the media, entirely controlled by the slave master.

In the case of francophone Africa, this economic slavery goes even further. Most other countries can print their own fictitious paper money although they are ripped off when it comes to international exchange. The countries making up the central and west African monetary union (former French colonies) cannot even print their own FIAT currency. They have to gather all their foreign exchange and take it to the boss in France who then checks what they have brought and on that bases prints a special version of French currency called CFA franc, meaning francs of the (Colonie Française d'Afrique) or francs of the (French Colonies of Africa). Worse than that is the fact that all their gold reserves are kept by the French. By the 31st December 2001, the BCEAO (francophone West African central Bank) gold reserves held by France was estimated **at 206,528 billion francs CFA. (Source: Report on the audit of financial state of BCEAO closing 31-Dec-2001). How about the BEAC(francophone Central African central Bank) reserves**? That is the one million dollar question. Suppose in the future this whole rotten and unjust financial arrangement between France and their colonies has to end, then they get to keep the gold, and we are

left with small pieces of paper les valuable that toilet paper. I see why they have made sure that the gold is kept in france.

The CFA franc was created by De Gaulle through a decree No 45-0136 and published on the 26th December 1945. The decree was signed by De Gaulle (French President), Rene Pleven (French minister of finance), and Jacques Soustelle (French minister for the colonies). African countries sometimes bring in more than five times more foreign currency to France and the French economy itself. This is again lent to African countries at exorbitant interest rates.

These all make it almost impossible for people in the slave countries to have investment funds thereby almost halting locally initiated and run projects. The result of all this is of course poverty. Mind you they are not daft. They will always allow a few symbolic projects by locals in order to make the slaves to have hope. Otherwise they may revolt if they have nothing to live for. More often than not, all the slaves have to do with large investments is to contribute manpower at slave wages. Sometimes in the same company, a worker from the slave master's country with the same skills, talents and qualification as a slave worker receives more than ten times the salary of the slave. The slave finds this to be normal due to the brain washing he has been subjected to.

The printing of money is so accelerated that the printing press cannot keep pace. In the USA for instance, **only 3%** of money in circulation is represented physically. The rest is electronic money.

In the international currency conference of Jamaica in 1976, it was decided that goods produced in a country plus the assets of the central bank (eg gold, foreign reserves etc) must serve as security for the emission of monetary units. Unfortunately nobody is doing this. This is to be expected. Imagine you are given a stamp and stamp pad which is able to stamp papers into money, and you are told please only do that when you have harvested crops from the farm or produced some other goods. Then you are free to stamp out as much money as the value of the goods or produce you have produced. Even an individual without the pressure of strikes and other political consequences waiting in ambush cannot resist the temptation. How much more the government? The consequences of all these to society and to the individual have already been detailed. Just consider the following two factors:

In the year 2012, data from credit Suisse showed that 1% of the world population owns 60% of the total wealth in people's hands in the world. How unfair.

There are **twenty nine million dollar millionaires in the world** while **forty thousand children die every day from poverty related causes. Fifty percent of world population earn less than $3 per day.**

The central banks or the private banks in the American federal reserve system gives out printed money (or nowadays electronic money) in the form of loans to be paid with interest. No one else can print money. Where on earth will the interest come from? The effect of this is further exacerbated by the practice of

fractional reserve banking[6] by all the riba based financial institutions. This means that every financial institution creates money out of nothing. As a result the amount of debt in society far exceeds the cash available to pay for it. Defaults, bankruptcy, economic depressions among others are thus inevitable. This in turn puts such a financial pressure on people that everything else including moral values, humane treatment etc are compromised or even abandoned for cash. The moral and spiritual decadence issuing from this state of affaires is well known. For instance, the FBI statistics for 1990 reveal that there **were 1,756 (one thousand seven hundred and fifty six) rapes per day in the USA**. The department of justice statistics for the year 1996 showed that the rapes per day had increased **to 2,730 (two thousand seven hundred and thirty) rapes per day. That is one every thirty seconds.** African countries are also swimming in crime, although they may not have very accurate statistics, and most of these crimes go unreported. The almost total absence of social welfare and the brain washing of Africans into a materialist outlook on life is one of the best handles the slave masters have to control and manipulate opinion in Africa. They set up tribe against tribe and while Africans are busy killing each other the slave masters are busy emptying the soil of their wealth given to them by Allah (SWT). Examples are numerous. Burkina Faso. Ivory coast. Congo. Libya, Egypt etc.

[6] **Fractional reserve banking: All banks in the riba system are not obliged to keep the money they are given to keep. By law they have to keep only around 10%. The rest is lent out on interest. This artificially inflates the money supply.**

What can I do personally against riba.

Dear reader, you could well be the instrument which Allah (swt) will use to put an end to this evil so do not under estimate the impact your actions might bring about in sha Allah. When saving wealth, we should endeavour to save it in Islamic money. I.e. save it as money with an intrinsic value. This could be gold, silver, platinum or even commodities. In the case of the latter category, we should ensure the storage time is not long, but it must be such that the particular commodity is still in good condition at the end. Recently in the Central African Republic, there were some political skirmishes serious enough for people to be chopped up with machetes. Many people had to leave in a hurry abandoning their wealth in banks. Those at the banks naturally new that these abandoned funds could easily be fraudulently taken once the true owners are gone, so they were not very eager to serve the frightened Muslims. One Cameroonian woman was clever enough to store her money as Islamic money (i.e. in gold). She didn't own much, just 250 grams of gold. She escaped with this and was able to fetch five million franc CFA for it here in Cameroon. With that she was able to organise her stay in Cameroon. Let us learn from her example.

When drafting or signing contracts in which there are debts or future payments and/or receipts, we should denominate the figures in Islamic money. If Islamic money is not used near you, you should work out the conversion rates at the time of the contract. It is valid Even if you don't actually bring this Islamic money physically to the place where the contract is being signed, as long as your partner agrees to payback in Islamic money. You can also use specific products in the contract, such as bags of

rice giving all the specifications or bags of cement etc. In short avoid FIAT paper currency as much as possible.

When we use banks, we should prefer banks which are compatible with Islamic sharia. We should not forget though that many acquire the name Islamic bank just to clean up the image of those using it from the stigma of dealing in riba. This is confirmed by the fact that riba based banks can function under the law in all Muslim countries including Saudi Arabia. So to many banks, the decision to get involved with Islamic finance is a commercial and not a spiritual one. They want to attract those customers who are against riba as well as those who want to appear to be against riba. Nowadays though you also have institutions who offer you the possibility to save in Islamic money and even have electronic access. For example e-dinar.com can be used to save in a manner compatible with Islam, while owning something similar to a credit card or a deposit card. Select the bank you deal with very carefully.

We must strive around us to make Islamic financial principles to become popular. We should make this system to be practiced in all types of financial institutions such as banks, institutions of microfinance, cooperatives, RoSCAs (Rotary Savings and Credit Associations), insurance companies etc. We must not forget that Allah (swt) has declared war on those who would not refrain from riba when they are warned (Q2:278-279). Such a person would be a war with Allah (swt) and His messenger. How can he win such a war? Who plays the role of the messenger now that he is no longer amongst us? Guess what, you do, if you are a believer in Allah (swt) and His messenger. Here is what Allah (swt) says.

(QS2. Al Baqarah ayat 278-279)

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ ٱتَّقُواْ ٱللَّهَ وَذَرُواْ مَا بَقِيَ مِنَ ٱلرِّبَوٰٓاْ إِن كُنتُم
مُّؤۡمِنِينَ ٢٧٨ فَإِن لَّمۡ تَفۡعَلُواْ فَأۡذَنُواْ بِحَرۡبٖ مِّنَ ٱللَّهِ وَرَسُولِهِۦۖ وَإِن تُبۡتُمۡ
فَلَكُمۡ رُءُوسُ أَمۡوَٰلِكُمۡ لَا تَظۡلِمُونَ وَلَا تُظۡلَمُونَ ٢٧٩

278. O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers.

279. if ye do it not, take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.

We should strive to create investment opportunities and institutions devoid of riba. We should lobby for the right legislation to be introduced which should abolish riba step by step and favour Islamic money. Taxation can be used as an incentive to discourage riba and encourage Islamic finance. We should not forget that Allah(swt) will not change our condition until we change our hearts. See what He says: (QS13. Ar Ra'd ayat 11)

لَهُۥ مُعَقِّبَٰتٌ مِّنۢ بَيۡنِ يَدَيۡهِ وَمِنۡ خَلۡفِهِۦ يَحۡفَظُونَهُۥ مِنۡ أَمۡرِ ٱللَّهِۗ إِنَّ ٱللَّهَ
لَا يُغَيِّرُ مَا بِقَوۡمٍ حَتَّىٰ يُغَيِّرُواْ مَا بِأَنفُسِهِمۡۗ وَإِذَآ أَرَادَ ٱللَّهُ بِقَوۡمٍ سُوٓءٗا فَلَا
مَرَدَّ لَهُۥۚ وَمَا لَهُم مِّن دُونِهِۦ مِن وَالٍ ١١

11. For Each (Such person) there are (angels) In succession, before and behind him: They guard Him by command of Allah. Verily never will Allah change the condition of a people until they change it themselves (with their own souls). But when (once) Allah willeth a people's punishment, there can be no turning it back, nor will they find, besides him, any to protect.

In our effort to rid the world of riba, we should use wisdom, and a softly, well mannered and well thought out approach. See what Allah (swt) says.

(QS16. An Nahl ayat 125)

ٱدۡعُ إِلَىٰ سَبِيلِ رَبِّكَ بِٱلۡحِكۡمَةِ وَٱلۡمَوۡعِظَةِ ٱلۡحَسَنَةِۖ وَجَٰدِلۡهُم بِٱلَّتِي هِيَ
أَحۡسَنُۚ إِنَّ رَبَّكَ هُوَ أَعۡلَمُ بِمَن ضَلَّ عَن سَبِيلِهِۦۖ وَهُوَ أَعۡلَمُ بِٱلۡمُهۡتَدِينَ

١٢٥

125. Invite (all) to the way of Thy Lord with wisdom and preaching; and argue with them In ways that are best and Most gracious: for Thy knoweth best, who have strayed from His path, and who receive guidance.

Appendix A: (Depreciation analysis and NPV)

The different types of assets and how they can be managed.

1) **Tangible assets:** Tangible assets include things such as Land, buildings and natural resources
   a) **Land**: Land which does not depreciate can be one of the most reliable assets. The main risk being the risk of confiscation by government or municipal authorities for some project of general interest. The compensation may not be adequate. And if you live in Cameroon you may not get any compensation at all. Sometimes though the value of land might change due to external factors. If it is on the outskirts of town, then as the town expands, the cost of the land will rise. Some community projects such as a market, Olympic Games etc, may even make the value to skyrocket.
   b) **Buildings**: These depreciate over the long term. It is because of that reason that we can afford to consider its value as constant in a diminishing Musharakah. The payment period of say ten years is negligible compared with the lifespan of the asset of the order of five hundred years.
   c) **Natural resources**: These do not depreciate but deplete. For example forest resources, mineral resources.

d) **Intangible Assets**: Intangible assets include things such as Patents, copyrights, trademarks, franchises, lease holds, improvements, goodwill etc. These usually amortise rather than depreciate.

2) **The computation of depreciation:** The following are the main factors used in evaluating depreciation on any asset.
   a) **The cost of buying the asset:** This usually includes the cost of the asset paid to the suppliers, manufacturers or builders, plus the cost of transporting the asset to the location where it is to be used, plus the cost of insurance, plus the cost of any administrative papers required by the local laws concerning the asset (such as road tax, technical check certificate and other documents required by lorries.) and the cost of setting up the asset for use including trial runs.
   b) **The residual value of the asset**: This is the amount we hope to get when the asset is sold at the end of the expected useful life. The asset could be sold to scrap, or it could be sold to a second operator who is not able to buy a new asset. However we must remember that this is not the market value of the asset. It is a valuation process which takes into account the initial cost, the degradation of the asset due to usage and the scrap value. If in the end the market value turns out to be much higher, the difference can be considered as a profit on the sale of the asset bought at the depreciated cost.
   c) **The depreciable cost:** This is the difference between the cost of buying, setting up and having the asset running, and the scrap or sale value at the end of the working period in the business venture.

d) **The useful life of the asset**: This is the time during which the asset is in operation. It could be measured in time units, production units or whatever system is considered suitable for the particular type of asset. For a lorry for example it could be the time elapsed since operations were launched, the number of kilometres covered since launching operations, the number of tons of merchandise carried or even revenue generated. Any combination of some or all of the above could also be envisaged.

e) **Disparity between the depreciated value and the market value:** At the end of the asset's life, as mentioned above there could be a significant difference between the estimated scrap value and the market value. There could be several reasons for this. The operators of the asset may have acted more cautiously and responsibly than expected. That type of asset might have become rarer at the end than at the beginning of the business initiative. The government may have enacted some new laws which favour that type of asset. The market value could as well be lower than the scrap value. Such a scenario could be experienced with an asset such as a lorry, if a local foundry company which used to re-melt the iron to produce farm tools or iron rods for the construction industry shut down during the exploitation of the asset. Now with no outlet for scrap metal except export, the values of scrap metal will considerable decrease. There are many other scenarios which could lead to the situations mentioned above. Since according to sharia the lease contract and the share purchasing contract are to be separate and independent, clauses should be inserted to take care of everybody's interests. For instance the profit

or lose caused by this disparity, could be calculated and either applied to the closing accounting process or retrospectively spread evenly over the asset life span. The method you agree on would influence what share of the profit or lose each partner can get or bear.

3) **Net Present Value analysis (NPV) and Islamic finance:** We did not use net present value techniques in the foregoing analysis. This was because the **NPV**[7] analysis as well as the internal rate of return (**IRR**), are investment appraisal methods, meanwhile our objective here is that when the decision to invest has been made, all the transactions should be compatible with the Islamic sharia. The whole concept of net present value can be understood if we realise an almost universal but undeclared truth about human psychological nature concerning finances and wealth in general. When you ponder a little, you would realise that if given the choice between receiving a certain amount of money Φ_0 now or in N year's time, almost every rational person will prefer to receive the amount Φ_0 now. That is because even if you don't invest it in a business venture, you could put it in a bank and it accumulate profits over the period of N years. Non Muslims could simply put it into a deposit account in a local bank. The fact that the amount Φ_0 could be in the form of fiat paper money only exacerbates the

[7] **Net Present Value: The amount of wealth an average person would be willing to receive now in the place of a higher amount in the future. It depends on factors such as economic stability, inflation, the profit from bank deposits, how far into the future the future date is etc. In Islam we cannot interchange the two amounts by asking someone to choose one or the other. NPV is only a tool for investment appraisal.**

degradation of the amount with time. If the amount $\boldsymbol{\Phi_0}$ were put into a deposit account with an interest rate of r or into an investment account in an Islamic bank with a profit rate r, then after N years it will become $\boldsymbol{\Phi_N}$ such that the following relations will apply. We should differentiate between monetary profit and real profit (in consumption terms**).** $\boldsymbol{\Phi_N = \Phi_0[1+r]^N \Rightarrow \Phi_0 = \frac{\Phi_N}{(1+r)^N} \ldots\ldots\ldots\ldots (11)}$. $\boldsymbol{\Phi_0}$ is the Net Present Value of $\boldsymbol{\Phi_N}$ **in** N years. Having more bank notes in N years though, does not mean more consumption. This is because the value of the money has been further eroded by another consequence of riba called inflation. We showed earlier how one could circumvent this problem by using Islamic money. We demonstrated how if someone used Islamic money to keep his savings without investing in anything that person would be shielded from inflation. Say between 2000 and 2012, the amount $\boldsymbol{\Phi_0}$ in paper money terms would become $\boldsymbol{3.8181\Phi_0}$**.** For a bank to achieve that, we showed that it needed to offer an interest rate in deposit account of nearly 12%. Currently in Cameroon they are offering 5%. We can round up by saying that the NPV of a project with cash flows A at different points in time is given by

$$\boldsymbol{NPV = \sum_{t=1}^{t=N} \frac{A_t}{(1+r)^t}}$$

$$\boldsymbol{and\ IRR = r\ for\ which\ NPV = 0}$$

$$\boldsymbol{ie\ \sum_{t=1}^{t=N} \frac{A_t}{(1+r)^t} = 0 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (11a).}$$

Generally someone investing is giving up present consumption for a greater future consumption. However, the existence of inflation means that more bank notes in the future than are currently available in the investors pocket, will not by themselves guarantee greater future consumption. The

increase in number of bank notes must be greater than the increase in the number of notes required to consume the same amount in the future as the present.

If we assume an inflation rate of **θ** in the economy, then an investor will need in **N** years more cash to be able to consume what he can with an amount $\boldsymbol{\Phi_0}$. In N years the amount ($\boldsymbol{A_N}$) he'll need to have the same consumption is $\boldsymbol{A_N = \Phi_0(1+\theta)^N}$. On top of the consumption consideration, he will have to have a profit rate on his investment of r for him to forsake present consumption for r times more consumption in N years. So in money terms the amount he will need in N years if he is to forgo present consumption, and consume as much as he would now is $\boldsymbol{\Phi_N}$ where $\boldsymbol{\Phi_N}$ is given by

$$\boldsymbol{\Phi_N = \Phi_0(1+\theta)^N(1+r)^N}$$

$$\Rightarrow \boldsymbol{\Phi}_0 = \frac{\boldsymbol{\Phi}_N}{(1+\theta)^N(1+r)^N} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (11b)$$

We thus obtain a value for the net present value of an amount in **N** years which takes inflation into account. We can use this to see to what extent in particular area Islamic money will shield us from inflation. Let **μ** be the real profit rate in consumption terms, **r** the monetary profit rate, and **θ** the inflation rate. The present value can be expressed thus

$$\boldsymbol{\Phi_0 = \frac{\Phi_N}{(1+\mu)^N} = \frac{\Phi_N}{(1+\theta)^N(1+r)^N}} \dots\dots\dots\dots\dots\dots\dots\dots\dots (11c)$$

$$\boldsymbol{It\ follows\ that\ 1+\mu = (1+\theta)(1+r)} \dots\dots\dots\dots (11d)$$

In other words the true profit rate **(μ)** in consumption terms is related to the monetary profit rate **(r)** and the rate of inflation **(θ)**. This in conjunction with Islamic money could even be used to verify fictitious inflation figures provided by government which are

usually politically motivated. We saw that paper money had to be multiplied by a factor of **3.818181** in order to keep up with the purchasing power of Islamic money in Cameroon between the years **2000** and **2012**. So in (**11c**) if we **set $(1+\mu)^{12}= 3.818181 \Rightarrow 1+\mu = 1.118119$**. The current deposit account interest rate is **5%.** Thus **$1+r = 1.05$**. Substituting these into **(11c**) yields **$1+\theta = 1.064875$**. So the average rate of inflation in Cameroon between **2000** and **2012 is 6.4875%.** The politicians will not like this. From the value of **$1+\mu = 1.118119$** we can deduce that for the banks to maintain the purchasing power of the deposits of their clients comparable with someone holding Islamic money, they would have to offer an interest rate of **11.18119%.**

How to calculate depreciation: We shall outline below insha Allah, some of the methods used to calculate depreciation. The first two shall be straight forward, while the last two shall be accelerated. That means they shall depreciate the asset faster in the earlier years than the later years. The four methods listed below are just the most popular. Many more methods could be envisaged. For example blue jeans if sold without bleaching, (that is in their blue state), will tend to rise in value first and only decrease later. This explains why some manufacturers use special washing machines in which sand and gravel are introduced in the washing of the product in order to cause premature decolouration. Nowadays some parts of it are actually torn to create an old looking product because that will have more value in the market.

a) **The straight line method:** Here the value of the asset decreases linearly with time. The assumption here is that

time is the main factor which about depreciation. 94% of companies use this method in the United States.

b) **The production method:** This method assumes depreciation depends on use and time has no effect. Factors such as the number of hours in service, the number of kilometres covered or the number of items a machine has produced are used to map out the depreciation of the asset.

c) **Sum of the year's digit method:** For a five year asset for instance, the depreciable cost is distributed as follows. First the number of years in the lifespan is summed. Thus sum of the years ΣT=1+2+3+4+5=15. Beginning from the last year, a fraction equal to the year figure ÷ ΣT is deducted from the depreciable cost (**ΔI)**. Thus after year 1, 5/15 **ΔI** is deducted. Then 4/15 **ΔI** is deducted, then 3/15 **ΔI**, and so on.

d) **The declining balance method**: Here we apply a fixed rate to the carrying value. Typically two times the straight line rate.

In both examples used in this book, where assets were depreciated, we used the straight line method. However if you need to use any non linear method, or you wish to vary the revenue as well as the value of the assets, you will need to be able to work out the sum of the squares of natural numbers **($\Sigma i^2 = 1^2+2^2+3^2+4^2+5^2$.....$+n^2$.).** You will also need to be able to derive an expression for the sum of the cubes of natural numbers. **($\Sigma i^3= 1^3+2^3+3^3+4^3+5^3$+.....$+n^3$).** This we shall do insha Allah in Appendix B below.

Appendix B: (Derivation of some formulae)

We shall in this appendix insha Allah, derive expressions for the sum of the first n natural numbers, the sum of the first n squares of natural numbers and the sum of the first n cubes of natural numbers by the method of difference. This same method can be used to derive many other different types of sums of series.

Let $f_1(n)$ be the sum of the first n natural numbers. Then we can write straight away

$$\boldsymbol{f_1(n) = \sum_{j=1}^{j=n} j = \frac{1}{2} n(n+1)} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (\boldsymbol{12a}).$$

This is a straight forward arithmetic progression with first term a=1 and common difference d=1.

Now let $f_2(n)$ be the sum of the squares of the first n natural numbers. If we further define $g_2(n) = n^2$. Then $f_2(n)$ and $g_2(n)$ are related. And for every value of n we can write.

$$\boldsymbol{f_2(n) = \sum_{j=1}^{j=n} j^2 \ and \ g_2(n) = n^2}.$$

$$\boldsymbol{This\ means\ g_2(n) = f_2(n) - f_2(n-1)\ \forall n \in \{\mathbb{N}\}}$$

Let us choose a third order polynomial with real coefficients to represent $f_2(n)$, then we can say that.

$$f_2(n) = an^3 + bn^2 + cn + d \ldots\ldots (12*) \ where\ a, b, c, and\ d\ \in \{R\}$$

But $f_2(0)=0$ and $f_2(1) = 1$ => d=0 and a + b + c = 1. Now

$f_2(n-1) = an^3 + (b-3a)n^2 + (3a-2b+c)n + b - a -$
$c. if\ f_2(n) - f_2(n-1) \equiv n^2\ \forall n \in \{\mathbb{N}\}\ =>$
$the\ coefficients\ are\ equal.$ But

$$f_2(n) - f_2(n-1) = 3an^2 - (3a-2b)n^1 + a + c - b\ \equiv n^2$$

⇨ 3a=1 or a =1/3 ,3a-2b=0=> b=3/2 (a)=1/2. And a+c-b=0 => c=b-a =1/2 -1/3 = 1/6. Substituting the above values, we have

$$\boldsymbol{f_2(n) = n(an^2 + bn + c) = \frac{1}{6}n(2n^2 + 3n + 1)}$$
$$\boldsymbol{= \frac{1}{6}n(n+1)(2n+1) \ldots\ldots\ldots (12b)}$$

We shall do something similar in order to derive an expression for the sum of the cubes of the first **n** natural numbers. We define **$f_3(n) = \Sigma j^3$ and $g(n) = n^3$**. That is

$$f_3(n) = \sum_{j=1}^{j=n} j^3\ \ and\ g_3(n) = n^3.$$

$$This\ means\ g_3(n) = f_3(n) - f_3(n-1)\ \forall n \in \{\mathbb{N}\}$$

$$As\ before\ f_3(n) = an^4 + bn^3 + cn^2 + dn + e\ with\ f_3(0) = 0\ \&\ f_3(1) = 1$$

The boundary conditions leads to e=0 and a+b+c = 1. Evaluating f(n)-f(n-1) and simplifying yields

$$f_3(n) - f_3(n-1) = 4an^3 + (6a+3b+c)n^2 + (3b-4a-2c+d)n + a - b + c - d \equiv n^3$$

This identity is true for all values of **n.** Equating coefficients yields a=1/4, b=1/2, c=1/4, & d=0

$$\boldsymbol{So\ f_3(n) = \frac{1}{4}n^4 + \frac{1}{2}n^3 + \frac{1}{4}n^2 = \frac{1}{4}n^2(n+1)^2}$$

$$\boldsymbol{i.e\ \sum j^3 = [\sum j]^2 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (12c)}$$

However the above equations were simply derived for completeness sake. They are not needed for the examples used in this book.

Appendix C: (Islamic insurance)

We mentioned insurance several times as part of the different contracts which the finance provider can sign with the finance user. It is thus necessary for us to explain Islamic insurance a little. This is best illustrated by a table.

Conventions Insurance	Islamic Insurance
Purely financial, including uncertainty.	It is based on cooperation and seeks mutual benefit through contribution to the common fund.
The insurance company executes the contract in its own name.	The insurer serves as an agent to manage and invest premium, based on mudaraba or other Islamic instrument. The insured has equity in the business.
All premiums less expenses are insurer's revenue.	All surpluses after deducting expenses are distributed to members following agreed proportions. (Either capital contribution and/or time spent working for the company.
All returns on investment go to the insurer.	The mudaraba share from investments made by the insurance goes to the members
The insurer and the insured are two separate entities. The seeker and the provider.	The insurer and the insured are the same. They pool together their resources and risks
It protects speculative risk as well as pure risk.	It protects pure risk only.
Any amounts left after liquidation goes to the	Any amounts left after liquidation goes to the charity or to the members.

- ❖ Gharar: Conventional insurance contains Gharar. Only one party can profit from funds and the other cannot use it.
- ❖ Maisir: (Gambling). The insured expects a large payment in case the incident insured occurs, but loses his premium otherwise. This is the same like gambling in horse racing or lottery. If you win, you receive a large payment but if you lose then you lose the cost of the ticket too.
- ❖ Riba: (Interest, Usury). There is riba between the premium and the claim. You claim much more than you put in initially. Secondly the insurance company places funds in riba providing institutions and benefits from the interest payments.

In an Islamic association of about one thousand people, charging just 5 thousand XAF ($) from the members for health insurance would provide five million XAF in the pool of money for health insurance. By studying the health statistics for the particular district and age group of the members, a percentage of the health costs can be covered by the insurance initiative. I say only a percentage even if the health statistic studies show that the funds could cover 100%. This is because in the case where there is 100% coverage, an insured person might just scratch his head and want to go to hospital for a check up. It is a good idea to have independent medical personnel to decide which cases are serious enough to be taken to hospital. It is also important that any claims be made only after three months from the day the insurance premium was paid. This is to prevent people from

ignoring the invitation to pay premium until they discover they are sick, and may have to pay a huge bill in hospital. They then come quickly and pay their insurance premiums only to formerly complain about their illness some two days later.

In the case of the lorry transport business and the motorbike, if several investors got together and several users as well, a contract could be signed in which part of the user's share of the revenue will be an insurance premium against accidents, illness and days when no revenue was obtained. Another part could be used to pay for the share of the maintenance expenses if the user is short of cash.

In general, Islamic insurance can be used to insure transport vehicles, machines, shops against fire or theft, health, unemployment; children's fees against accidents to parents or job lose etc.

We pray that Allah (swt) helps Muslims all over the world set up all sorts of insurance companies.

In appendix D below, I have outlined some of the points I think one should consider when trying either to finance somebody's project, choosing who will run a project, or assessing the moral rectitude of someone or a group of people. You can of course add other points which will make the document more suitable for your particular environment. I have also added some Quranic and biblical verses which could remind us about bad projects and illicit projects.

Biblical verses against gambling:

Proverbs 13:11- Wealth [gotten] by vanity shall be diminished: but he that gathereth by labour shall increase.

1 Timothy 6:10 - For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows.

1 Timothy 6:9-10 - But they that will be rich fall into temptation and a snare, and [into] many foolish and hurtful lusts, which drown men in destruction and perdition. ***(Read More...)***

Hebrews 13:5 - [Let your] conversation [be] without covetousness; [and be] content with such things as ye have: for he hath said, I will never leave thee, nor forsake thee.

Matthew 6:24 - No man can serve two masters: for either he will hate the one, and love the other; or else he will hold to the one, and despise the other. Ye cannot serve God and mammon.

Ecclesiastes 5:10 - He that loveth silver shall not be satisfied with silver; nor he that loveth abundance with increase: this [is] also vanity.

Proverbs 16:33 - The lot is cast into the lap; but the whole disposing thereof [is] of the LORD.

Ephesians 4:28 - Let him that stole steal no more: but rather let him labour, working with [his] hands the thing

which is good, that he may have to give to him that needeth.

Acts 20:35 - I have shewed you all things, how that so labouring ye ought to support the weak, and to remember the words of the Lord Jesus, how he said, It is more blessed to give than to receive.

The Qur'an:

Of course in the final revelation, Allah (swt) has forbidden gambling. He says in Surat Ma-ida verse 90,

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ إِنَّمَا ٱلۡخَمۡرُ وَٱلۡمَيۡسِرُ وَٱلۡأَنصَابُ وَٱلۡأَزۡلَٰمُ رِجۡسٞ مِّنۡ عَمَلِ ٱلشَّيۡطَٰنِ فَٱجۡتَنِبُوهُ لَعَلَّكُمۡ تُفۡلِحُونَ ٩٠

90. O You who believe! Intoxicants (all kinds of alcoholic drinks), gambling, Al-Ansâb , and Al-Azlâm (arrows for seeking luck or decision) are an abomination of Shaitân's (Satan) handiwork. so avoid (strictly all) that (abomination) In order that You may be successful .

We see from the above verse that intoxicants and gambling and fortune telling are all forbidden. So any insurance project, or investment project must have nothing to do with these. There are other sectors of the economy which are also to be avoided. These include things like alcohol production and sale, production and/or processing of pork and tobacco. The list should also include everything which could be damaging to the environment

or the health of the population like pork, homosexuality etc.. What does the bible say about these?

Leviticus 18:22

"Do not practice homosexuality, having sex with another man as with a woman. It is a detestable sin." (NLT)

Leviticus 20:13

"If a man practices homosexuality, having sex with another man as with a woman, both men have committed a detestable act. They must both be put to death, for they are guilty of a capital offense." (NLT)

And about pork we have the following in the book of Leviticus 11:7-9.

7 ***And the swine, though he divide the hoof, and be clovenfooted, yet he cheweth not the cud; he*** **is** ***unclean to you.***

8 ***Of their flesh shall ye not eat, and their carcase shall ye not touch; they*** **are** ***unclean to you.***

9 ***These shall ye eat of all that*** **are** ***in the waters: whatsoever hath fins and scales in the waters, in the seas, and in the rivers, them shall ye eat.***

Deuteronomy 14:8 | Read whole chapter | See verse in context

> **And the swine, because it divideth the hoof, yet cheweth not the cud, it *is* unclean unto you: ye shall not eat of their flesh, nor touch their dead carcase.**

Isaiah 65:4 | Read whole chapter | See verse in context

Which remain among the graves, and lodge in the monuments, which eat swine's flesh, and broth of abominable *things is in* their vessels;

Allah(swt) says

يَٰٓأَيُّهَا ٱلنَّاسُ كُلُواْ مِمَّا فِي ٱلۡأَرۡضِ حَلَٰلٗا طَيِّبٗا وَلَا تَتَّبِعُواْ

خُطُوَٰتِ ٱلشَّيۡطَٰنِۚ إِنَّهُۥ لَكُمۡ عَدُوّٞ مُّبِينٌ ١٦٨

168. O ye people! eat of what is on earth, lawful and good; and do not follow the footsteps of the evil one, for He is to you an avowed enemy.

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ كُلُواْ مِن طَيِّبَٰتِ مَا رَزَقۡنَٰكُمۡ وَٱشۡكُرُواْ لِلَّهِ إِن

كُنتُمۡ إِيَّاهُ تَعۡبُدُونَ ١٧٢ إِنَّمَا حَرَّمَ عَلَيۡكُمُ ٱلۡمَيۡتَةَ وَٱلدَّمَ وَلَحۡمَ

ٱلۡخِنزِيرِ وَمَآ أُهِلَّ بِهِۦ لِغَيۡرِ ٱللَّهِۖ فَمَنِ ٱضۡطُرَّ غَيۡرَ بَاغٖ وَلَا عَادٖ فَلَآ إِثۡمَ

عَلَيۡهِۚ إِنَّ ٱللَّهَ غَفُورٞ رَّحِيمٌ ١٧٣

172. O ye who believe! eat of the **good things** that we have provided for you, and be grateful to Allah, if it is Him ye worship.

173. He hath only forbidden you **dead meat**, and **blood**, and **the flesh of swine** and that on which **any other name hath been invoked besides that of Allah**. but if one is forced by necessity, without wilful disobedience, nor transgressing due limits,- then is He guiltless. for Allah is Oft-forgiving Most Merciful.

On alcohol the bible says:

Leviticus 10:9 - **Do not drink wine nor strong drink, thou, nor thy sons with thee, when ye go into the tabernacle of the congregation, lest ye die: [it shall be] a statute for ever throughout your generations:**

The book of revelations makes it clear that it is Prophet Mohammed who will give the death blow to alcohol production and consumption. Revelation 19:11-16

11 And I saw heaven opened, and behold a white horse; and he that sat upon him was called Faithful and True, (Al-Amin and Al-Sadiq) and in righteousness he doth judge and make war.

12 His eyes were as a flame of fire, and on his head were many crowns; and he had a name written, that no man knew, but he himself.

13 And he was clothed with a vesture dipped in blood: and his name is called The Word of God.

14 And the armies which were in heaven followed him upon white horses, clothed in fine linen, white and clean.

15 And out of his mouth goeth a sharp sword, that with it he should smite the nations: and he shall rule them with a rod of iron: and he treadeth the winepress of the fierceness and wrath of Almighty God.

NB: *In the above verse in the book of revelations, **the white horse is al-buraq**. A special animal which the prophet Mohammed (saw) mounted during his heavenly ascension. It was white, smaller than a horse but bigger than a donkey. True the earthly animal closest to it in resemblance is the horse. Faithful (**Al-amin**) and true (**as-sadiq**) were titles the prophet (saw) had in the world because he had those qualities. The righteousness with which he judged and made war was the sharia he came with. His eyes was a flame of fire because he was tough on unbelievers. Besides, redness in his eyes was exactly the criterion used by a Christian scholar (**Nastura**) to recognise him during his adult trip to Damascus. He had many crowns because he play the role of husband, father, spiritual guide, head of state, imam of the main mosque, head of the judiciary, head of the executive, head of the legislative etc. He had a name which non knew but the Muslims to whom he came knew. The sharp sword from his mouth was the Qur'an with which he destroyed idolatry and alcohol consumption.*

All the above quotations are to highlight the fact that all the earlier revelations came with the same message as the last one through prophet Mohammed (SAW). Discrepancies only came up when the originals of those revelations and the teachings of the prophets were either completely lost or corrupted. May Allah(swt) accept that we spread the light and benefits of Islam through out the world so they can see clearly that it is in their best interest to submit to the guidance of Islam.

Appendix D:(Scripture References to Usury, Interest)

(All references are from the New King James Bible)

25 " If you lend money to any of My people who are poor among you, you shall not be like a moneylender to him; you shall not charge him interest.
26 "If you ever take your neighbor's garment as a pledge, you shall return it to him before the sun goes down.
27 "For that is his only covering, it is his garment for his skin. What will he sleep in? And it will be that when he cries to Me, I will hear, for I am gracious. (Exodus 22:25-27)
---

35 ' If one of your brethren becomes poor, and falls into poverty among you, then you shall help him, like a stranger or a sojourner, that he may live with you.
36 'Take no usury or interest from him; but fear your God, that your brother may live with you.
37 'You shall not lend him your money for usury, nor lend him your food at a profit. (Leviticus 25:35-37)
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19 " You shall not charge interest to your brother -- interest on money or food or anything that is lent out at interest.

20 "To a foreigner you may charge interest, but to your brother you shall not charge interest, that the LORD your God may bless you in all to which you set your hand in the land which you are entering to possess. (Deuteronomy 23:19,20)
---

10 "I also, with my brethren and my servants, am lending them money and grain. Please, let us stop this usury!
11 "Restore now to them, even this day, their lands, their vineyards, their olive groves, and their houses, also a hundredth of the money and the grain, the new wine and the oil, that you have charged them." (Nehemiah 5:10,11)
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5 He who does not put out his money at usury, Nor does he take a bribe against the innocent. He who does these things shall never be moved. (Psalm 15:5)
---

8 One who increases his possessions by usury and extortion Gathers it for him who will pity the poor. (Proverbs 28:8)

24:1 Behold, the LORD makes the earth empty and makes it waste, Distorts its surface And scatters abroad its inhabitants.
2 And it shall be: As with the people, so with the priest; As with the servant, so with his master; As with the maid, so with her mistress; As with the buyer, so with the seller; As with the lender,

so with the borrower; As with the creditor, so with the debtor.
3 The land shall be entirely emptied and utterly plundered, For the LORD has spoken this word. (Isaiah 24:1-3)
---

10 Woe is me, my mother, That you have borne me, A man of strife and a man of contention to the whole earth! I have neither lent for interest, Nor have men lent to me for interest. Every one of them curses me. (Jeremiah 15:10)
---

7 If he has not oppressed anyone, But has restored to the debtor his pledge; Has robbed no one by violence, But has given his bread to the hungry And covered the naked with clothing;
8 If he has not exacted usury Nor taken any increase, But has withdrawn his hand from iniquity And executed true judgment between man and man;
9 If he has walked in My statutes And kept My judgments faithfully -- He is just; He shall surely live!" Says the Lord GOD. (Ezekiel 18:7-9)
---

13 If he has exacted usury Or taken increase -- Shall he then live? He shall not live! If he has done any of these abominations, He shall surely die; His blood shall be upon him. (Ezekiel 18:13)
---

17 Who has withdrawn his hand from the poor And not received usury or increase, But has executed My judgments And walked in My statutes -- He shall not die for the iniquity of his father; He shall surely live! (Ezekiel 18:17)

---

12 "In you they take bribes to shed blood; you take usury and increase; you have made profit from your neighbors by extortion, and have forgotten Me," says the Lord GOD. (Ezekiel 22:12)

.....
.....

From Wikipedia:

Some of the earliest known condemnations of usury come from the Vedic texts of India.[6] Similar condemnations are found in religious texts from Buddhism, Judaism, Christianity, and Islam (the term is *riba* in Arabic and *ribbit* in Hebrew).[7] At times, many nations from ancient China to ancient Greece to ancient Rome have outlawed loans with any interest. Though the Roman Empire eventually allowed loans with carefully restricted interest rates, the Christian church in medieval Europe banned the charging of interest at any rate (as well as charging a fee for the use of money, such as at a bureau de change).

We see that all through the ages, there is only one criterion which Allah (SWT) uses to determine who is better than the other. It is not race, nor sex, nor nationality, nor language spoken, nor skin colour, nor wealth, nor personal skills and talents. It is piety. He says in the Qur'an surat Hujjurat (49) verse 13:

يَٰٓأَيُّهَا ٱلنَّاسُ إِنَّا خَلَقۡنَٰكُم مِّن ذَكَرٖ وَأُنثَىٰ وَجَعَلۡنَٰكُمۡ شُعُوبٗا وَقَبَآئِلَ لِتَعَارَفُوٓاْۚ إِنَّ أَكۡرَمَكُمۡ عِندَ ٱللَّهِ أَتۡقَىٰكُمۡۚ إِنَّ ٱللَّهَ عَلِيمٌ خَبِيرٞ ١٣

13. O mankind! we have created You from a male and a female, and made You into nations and tribes, that You may know one another. Verily, the Most honourable of You with Allâh is that (believer) who has At-Taqwa [i.e. one of the Muttaqûn (pious - see V.2:2). Verily, Allâh is All-Knowing, All-Aware.

Appendix E: (Typical information form for investors)

ISLAMIC BUSSINESS ANGEL ASSOCIATES:

Project application form:

Name of applicant
……
……..

Age/
SEX……
……

Sector of
activity……
……

Sector of project
activity……
……..

Experience of applicant in said sector
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Training……
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Extent of Islamic involvement of applicant
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Estimated number of Muslims to benefit from project: Give clear argumentative or physical proofs.

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Impact on Muslims/ or non Muslims……
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Expected profitability from cash flow analysis .Justify the data used…….

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……

Credibility of project and project promoter (official) (official)……
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……

Name two reliable references who can testify to your honesty and your trustworthiness. Any objection if they are asked?

1)……
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2)……
……

Estimated period of return (justify)……
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……

Can project settle down someone who was not settled, or empower a new or rightly guided Muslim?

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Attachment, motivation of user towards the project, not the money:(**Official use only**):

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……

……
……

Credit worthiness of the project user

1) Witness……
……
2) Witness……
……
3) Witness……
……

Apparent and proven moral rectitude…:(**Official use only**):
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…….....

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The amount of investment required and their nature, instalment and
procedure…….....
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The number and nature of fixed assets to be used to carry out the
project…….....
.....

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……

The availability of collateral one or
surety……
…….....

……
……

What types of insurance can be applied……
……

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……

a) The reputation of promoter (official)
b) Creativity of management (official)
c) Threat of obsolescence(official)
d) Size of market
e) Competition
f) Ability to exit
g) Swot analysis

The types of Islamic contract
……
……

Profit distribution regime in detail……
……

……
……

Witnesses to the transaction should be incorruptible and of maximum moral value e.g. , imams and preacher (traditional chiefs etc)

h) ……J)……
……..
i) ……K)……
……..

Lessons learned from project execution (official)
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……..

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……

Subscription fee of 5 000 Frs CFA non refundable, must be paid to contribute to administrative cost

NB subscription fee paid, does not mean automatic acceptance to finance project

General assessment of project and promoter and other remarks. (official
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Appendix F: (A typical Mudarabah contract)

I include in this appendix an example of a mudaraba contract I once drafted to regulate a business venture some Muslims went into. For reasons of privacy, I have removed all mention of the names of the individuals and organisations involved. My aim is to let you the reader clarify even more your understanding of Islamic finance. The contract follows.

Having considered the various forms of Islamic joint ventures, namely: Mudarabah (profit sharing), Musharakah (Partnerships), Bay-alMuajjal (deferred payment), Bay-asalam(advanced payment), Ijara (leasing) Ijara wa Igtina (hire purchase), Qard Hassan (Interest free loan), as well as the requirement associated with the investment this represents, not forgetting the opportunity cost of capital, the time value of money and inflation. Mr **AA** hereafter called sahibul Maal abbreviated **SM**, consents to place in cash and kind a financial outlay of five million francs XAF. These shall be made up of computers in working condition, accessories also in working condition rehabilitation works all amounting to the sum of five million francs XAF. On this date of two thousand and four of the Gregorian calendar (one thousand four hundred and twenty five on the Islamic calendar). This amount can be broken down as follows: (The amounts are in thousands of francs XAF).

Computers and their accessories (printers, scanners, photocopiers etc	
Furniture, air conditioners and other purchased equipment	
Consumed materials such as cement, paint etc	

Fiscal expenses, transport and communication expenses	
Labour costs and unforeseen expenses	
Cash in hand for trial run and initial operations	
Total investment outlay.	**5,000**

The said invested funds are to be managed by the Islamic Association of Cameroon hereafter called Mudarib (abbreviated **Mu**) regulated by the present contract.

1) (The Islamic Association of Cameroon) will be expected to act and to adopt policies which must not stifle or jeopardise the future of the activity initiated by the **SM** while meeting its' other commitments and activities.
2) The profits from the investment of the **SM** and associates must be shared between the **SM** and **Mu** in the ratio of.....(x) for the **SM** and .....(y) for the **Mu**. The sharing must be done and documented every .....(z) months. Both the **SM** and the **Mu** must sign and receive a copy of the sharing transaction.
3) The **Mu** must maintain a properly entered and balanced accounting system with accounting document following an internationally recognised accounting system such as GAAP account system. It is with this system that the profits must be calculated.
4) The **SM** consents that he may if the **Mu** requests it, provide the **Mu** with a Qard Hassan loan to enabler the salaries and other expenses associated with the managing and running the equipment on a regular basis to be met.
5) The **SM** insists that his approval must be sought before appointing anybody to manage or work in roles associated

with the running of the equipment, their repair or renovation. For those working on a regular bases (meaning repeating their supplies of goods or services without the need for a new contract appointing them or those on a wage or salary or receiving fees, the approval of the **SM** must be renewed every three months. Failure to carry out this renewal, the **Mu** will be given two weeks to toe the line or terminate the contract with the said worker, company or bureau within one month from the date of non renewal of the **SM**'s consent. The **Mu** must have taken steps before that, to replace the workers to be fired with new and different workers to which the **SM** consents.

6) The **SM** should and must be free to provide further investment at profit sharing ratios which should decrease with increasing investment according to the following formula. Let **a** be the initial fraction of the profit which was received by the **Mu**, and C_i the initial capital, or the capital when the investment is being done, in case this is higher than the initial investment. **C = Ci + I,** is the new capital after an extra investment **I** has been added. The new fraction of the profit going to the **Mu b,** should be given by

$$b = a\left\{\frac{Ci}{Ci + I}\right\}$$

$$= a\left\{1 + \frac{I}{Ci}\right\}^{-1} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

C_i is either the initial capital or the new value to which the capital has grown to if that is higher than the initial outlay. Should it be less than the initial outlay, then the initial outlay will be used in the above equation. This is to ensure that the **Mu** is rewarded if he grows the business, but is

not penalised if he brings about losses. That is because in a Mudarabah, losses are born by the **SM** or As-habul Maal alone. Every quarter, C is calculated and the **Mu** fraction of the profits for the next quarter calculated and specified>

7) The **Mu** undertakes to offer all those directly involved with managing and running the investment of the **SM** with continuous and regular training administered by qualified institutions, personalities or consultants firms approved by the **SM**. Where payment is required the **Mu** is free to charge the trainees as these skills once acquired become a asset for the trainees. The **Mu** should increase the revenue of the employees as their skills improve, and as time passes in accordance with the rate of inflation and the national and world economic growth.
8) Every item of equipment must be named and monthly reports must be sent to the **SM** specifying all interventions and/or modifications on every item of equipment as well as their performances and state of well-being.
9) Any new person wanting to join the **SM**, or **Mu** must accept to follow the Islamic guiding principles and that any litigation must be settled following this contract and general Islamic principles, not civil courts. An arbitrating Islamic body must be agreed upon by the **SM** and the **Mu** before the start of operations. Once agreed, both parties pledge to accept the judgement of the arbitrator in case of litigation.
10) Should the **Mu** wish to collaborate with another person or organisational in a sector which overlaps the activities of the **SM**, the consent of the later must be sought and obtained before accepting any such collaboration.

11) The original copy of this contract is in English. In case of conflicting meaning, the meaning in the English copy predominates.
12) The **SM** is willing to prematurely terminate this Mudarabah contract and negotiate and undertake a Musharakah, Murabaha, Ijara or Ijara wa Igtina contract with the **Mu**, in case the Mudarib receives a grant or loan or Waqf they wish to invest in a sector or activity overlapping with the investment of the **SM**.
13) The present Murabaha value of the initial outlay by the **SM** is XAF five million francs. The attached **Table 1** gives the estimated life span of the present equipment, as estimated by material accounting experts. The same figure 1 gives the scrap value of each item of equipment at the end of its useful life as well as the estimated life span.
14) The **Mu** is free to create after getting the consent of the **SM** or As-habul Maal, Mudaraba certificates to raise funds from the Muslim public. These certificates could be sold to the entire Muslim community who will then have shares in the undertaking.
15) The consent of the **Mu** must be sought and obtained in writing before any national or foreign person joints the **SM** or As-habul maal.
16) The **Mu** and the **SM** must never contribute to anti-Islamic activities. In case of disagreement on the Islamic or anti-Islamic nature of the activity or any other litigation between the **SM** or As-habul maal and the **Mu**, both parties consent to accept the judgement of the arbitrator. The main arbitrator is free to call outside help in case the matter requires mastery of things he is not too comfortable with. The **SM** or As-habul maal and the **Mu** are free to

constitute a list of Fuqaha or Fuqaha organisations by discipline. The arbitrator must be given the power to change or terminate the contract.

17) Neither party should jeopardise or tarnish the dignity, honour, prestige or personality of the other deliberately.
18) The Mudarib agrees not to deliberately pursue a policy which will strangle the activities of the equipment of the **SM**,. For whatever reason. Such as finding an advantage in forcing the **SM** to terminate or change the contract. If the mutually pre-agreed judge decides on the event to a complaint written and submitted that this was the case then he could ask one party or the other to pay damages.
19) Similarly the **SM** must not sabotage or strangle the activities of the **Mu**. He must not use unorthodox methods to force the hand of the **Mu**. For instance using the Qard Hassan loan as bait to force the **Mu** to do what he wants. Should the **Mu** complain to this effect to the judge, he could order a certain percentage of the profits to be kept in a separate account under his control and used to pay for what the Qard Hassan loans could pay. The judge is free to review this percentage from time to time as he accesses whether it is adequate or not.
20) The amounts of fees, salaries and wages paid by the **Mu** must have received the written approval of the **SM**.
21) The **SM** specifies the overall orientation of the activity he financed every six months. This duration can be changed by the judge if either party complains.

Table 1

Item of equipment	Initial value	Scrap value	Life span	Comments
Computer number 1				
Computer number 2				
Computer number 3				
Computer number 4				
Computer number 5				
Computer number 6				
Computer number 7				

The above table is to be filled out with statistical information for your particular locality, and the nature and condition of the equipment.

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